

CITY OF ARANSAS PASS, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2011

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City of Aransas Pass, Texas
Comprehensive Annual Financial Report
For The Year Ended September 30, 2011

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Introductory Section

CITY OF ARANSAS PASS, TEXAS
LIST OF PRINCIPAL OFFICIALS
September 30, 2011

Elected Officials	
Name	Office
Tommy Knight	Mayor
Phillip Hyatt	Mayor Pro Tempore
James A. Mills	Council Member
Ross McElwee	Council Member
Vicki Abrego	Council Member

Appointed Officials	
Name	Position
Reggie Winters	City Manager
Yvonne Stonebraker	City Secretary
Sandy Roddel	Finance Director
Allen Lawrence, Jr.	City Attorney
Bill Haines	Interim Chief of Police
Donna Cox	Municipal Court Judge
Frank Truitt	Building Inspector
Paul Alvarado	Director of Public Works
Rickie Kilgore	Fire Chief

Financial Section

Michael A. Arnold, PLLC

501 E. MARKET

CERTIFIED PUBLIC ACCOUNTANT

PHONE (361) 729-3545

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ROCKPORT, TEXAS 78381-1266

Independent Auditor's Report on Financial Statements

City Council
City of Aransas Pass, Texas
P.O. Box 2000
Aransas Pass, Texas 78335

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Aransas Pass, Texas as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Aransas Pass, Texas's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Aransas Pass, Texas as of September 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2012, on our consideration of City of Aransas Pass, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited

procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Aransas Pass, Texas's financial statements as a whole. not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael A. Arnold, PLLC". The signature is stylized and cursive.

Michael A. Arnold, PLLC

March 27, 2012

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Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Aransas Pass's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2011. Please read it in conjunction with the City's financial statements, which begin on page 15.

FINANCIAL HIGHLIGHTS

City's Change in Net Assets – Governmental and Business-Type Activities

Total government-wide net assets increased \$914,873 as a result of this year's operations. Governmental activities increased \$1,025,653 with the balance of (\$110,780) resulting from business-type activities.

General Fund Performance

As a result of this year's operations, the General fund reported a \$429,536 increase to fund balance.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 15 and 16) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund finance statements start on page 42. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

One of the central concerns in assessing any City's finances is summarized in the question, "Is the City as a whole better off or worse off as a result of the year's activities?" Our analysis addressing this question begins on page 6. The analysis includes a condensed summary of the government-wide financial statements – The Statement of Net Assets and the Statement of Activities, which present information about the City in a way that facilitates answering this question. These statements are presented much like the private-sector companies – including all assets and liabilities using the

accrual basis of accounting. All revenues and expenses for the current year are reported without regard to when cash is received or paid.

These government-wide financial statements report both net assets and changes thereto. Net assets are reported in the Statement of Net Assets. The City's net assets, which is the difference between assets and liabilities, is one indicator of the City's financial well-being or financial position at one point in time. Increases or decreases to net assets over a period of time is an indication of whether its financial well-being is improving or deteriorating. Of course, other non-financial considerations enter into the determination of the City's overall health, which would include such things as changes in the City's property tax base and the condition of its streets.

Changes to net assets are reported in the Statement of Activities, which divides all City functions into two categories:

Governmental activities – Most of the City's basic services are reported in this category, which includes public safety (including police and fire), highways and streets, health and welfare, culture and recreation and general administration. These activities are primarily supported by sales and property taxes and franchise fees.

Business-type activities – Certain services that the City provides are paid for from fees that are charged to customers. Water, wastewater, harbor rentals and the Aquatic Center, are activities that are reported in this category.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds commences on page 16. The fund financial statements are presented on pages 42 through 58. These statements present detailed information about the City's more significant funds as opposed to the City as a whole. Funds are established for various reasons – some are required by state law; others, by bond covenants. Some funds are established by the City Council to assist in managing money that is to be spent for particular purposes. For example, the Aquatic Center Fund was established to demonstrate that money received for the operation of the Pool were used for that purpose. The city has two categories of funds, which can be used for public purpose – governmental and proprietary. Each category uses a different accounting approach.

Governmental funds – Most of the City's basic services are reported in governmental funds. These funds focus on the flow of money into and out of the funds and the balance left over at the end of the year that is available for future spending. Governmental funds use a method of accounting called modified accrual. The purpose of this method is to measure cash and other financial assets that can readily be converted to cash. This approach provides a detailed short-term perspective of the City's general government operations and the basic services it provides. This view of the City's operations provides

information that helps to determine the extent to which financial resources are available to spend in the near future to finance City programs. The relationship between these governmental fund financial statements and the governmental activities column shown in the government-wide financial statements is shown in the form of a reconciliation presented on the page following each governmental fund financial statement.

Proprietary funds- Services provided to either outside customers or to another unit of the City, where a fee is charged, are generally reported in proprietary funds. Proprietary funds are reported the same way that is used in the government-wide financial statements. Matter of fact, the City’s enterprise funds (a component of proprietary funds) are substantially the same as the business-type activities column of the government-wide financial statements but provides more detail including cash flows. The other component of proprietary funds is internal service funds.

THE CITY AS A WHOLE

The City’s Condensed Statement of Net Assets is presented in Table 1.

Table 1
Net Assets
(in Millions)

	Governmental Activities		Business type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	6.5	6.6	2.1	2.1	8.6	8.7
Capital Assets	22.0	21.8	6.8	7.0	28.8	28.8
Total Assets	28.5	28.4	8.9	9.1	37.4	37.5
Long-term debt outstanding	17.7	18.5	1.7	1.8	19.4	20.3
Other liabilities	.5	.6	.4	.4	.9	1.0
Total liabilities	18.2	19.1	2.1	2.2	20.3	21.3
Net assets:						
Invested in capital assets,						
Net of debt	4.5	4.7	5.2	5.2	10.2	9.9
Restricted	3.9	2.6	1.4	0.0	5.3	2.6
Unrestricted (deficit)	1.9	2.0	.2	1.7	2.1	3.7
Total net assets	10.3	9.3	6.8	6.9	17.1	16.2

Net assets of the City’s governmental activities increased \$1,032,089.

The net assets of the City’s business-type activities decreased \$110,780.

Table 2
Changes in Net Assets
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	2.6	2.3	4.2	3.9	6.8	6.2
Grants	0.6	0.3			0.6	0.3
General revenues:						
Property taxes	3.1	2.9			3.1	2.9
Sales tax	3.1	2.7			3.1	2.7
Other taxes	0.6	0.6			0.6	0.6
Other general revenues	0.1	0.2			0.1	0.2
Total revenues	10.1	9.0	4.2	3.9	14.3	12.9
Program expenses						
General government	1.1	1.0			1.1	1.0
Public safety	3.0	2.9			3.0	2.9
Public works	1.1	1.0			1.1	1.0
Sanitation	1.5	1.2			1.5	1.2
Health and Welfare	0.2	0.2			0.2	0.2
Tourism	0.2	0.2			0.2	0.2
Culture and recreation	1.5	1.5			1.5	1.5
Interest on long-term debt	0.9	0.9			0.9	0.9
Water and Sewer			3.2	3.0	3.2	3.0
Harbor			0.2	0.2	0.2	0.2
Aquatic Center			0.5	0.5	0.5	0.5
Total expenses	9.5	8.9	3.9	3.7	13.4	12.6
Excess (deficiency)						
Before special items						
And transfers	0.6	0.1	0.3	0.2	0.9	0.3
Transfers	0.4	0.4	(0.4)	(0.4)	-	-
Increase (decrease)						
In net assets	1.0	0.5	(0.1)	(0.2)	0.9	0.3

Total revenues generated from both governmental and business-type activities this year amounted to \$14.3 million.

Governmental Activities

Total revenues generated from governmental activities this year amounted to \$10.1 million. Expenses came in at \$9.5 million.

The cost of all governmental activities this year was \$9.5 million. However, as shown on the Statement of Activities on pages 14 and 15, the amount that our taxpayers ultimately financed for these activities through taxes and other general revenues was \$6.9 million. \$3.2 million to finance these programs was paid by those who directly benefited from them, bond funds, construction funds and by other governments that subsidized certain programs with grants.

Table 3 presents the cost of each of the City’s six largest programs as well as each program’s net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City’s taxpayers by each of these functions.

Table 3
Governmental Activities
(in Millions)

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Public Safety	3.4	2.9	2.2	2.1
General Government	1.1	1.0	0.9	0.9
Public Works	1.1	1.0	1.1	1.0
Sanitation	1.5	1.2	0.1	1.2
Health and Welfare	0.2	0.2	0.2	0.2
Culture and Recreation	1.5	1.5	1.2	1.2
Total	8.8	7.8	5.7	5.3

Business-type Activities

Total revenues generated from business-type activities this year amounted to \$4.2 million. Expenses came in at \$3.9 million, leaving \$0.3 million as an increase to net assets before transfers. An additional net \$0.4 million in transfers from business-type activities was made, resulting in an all-inclusive decrease to net assets amounting to \$0.1 million.

More details will be provided about governmental and business-type activities’ operations later in this discussion and analysis.

THE CITY’S FUNDS

As a result of this year’s operation, governmental funds (as reflected in the balance sheet on page 16) produced a combined fund balance of \$4.8 million, a decrease of \$0.1 million from last year.

Governmental Funds - A Detailed Discussion

Revenues and Transfers-In

The following table presents a summary of total governmental funds’ revenues for the years ended September 30, 2011 and 2010.

Table 4
Revenues and Transfers-In

Revenues and Transfers- In	2011 Amount	% of Total	2010 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
Taxes	6,650,290	67.1	6,161,864	488,426	8.0
Licenses & Permits	131,414	1.4	57,185	74,229	129.8
Intergovernmental	556,072	5.5	286,783	269,289	93.9
Charges for services	1,798,935	18.2	1,692,852	106,083	6.3
Fines and Forfeitures	424,939	4.2	344,971	79,968	23.2
Other	362,382	3.6	387,197	(24,815)	(6.4)
Total	9,924,032		8,930,852	993,180	

Taxes

Property Taxes

Property taxes increased \$92,526 over last year.

Other Taxes

This year’s reported sales taxes as a whole increased \$381,024 from the prior year.

Miscellaneous

Miscellaneous revenues totaling \$362,382 largely consists of special assessments, rents and royalties, interest and PILOT – Industrial Development District.

Table 5
Expenditures and Transfers-Out

Expenditures and Transfers- Out	2011 Amount	Percent of Total	2010 Amount	Percent Change
General government	1,080,464	9.6	1,009,234	7.1
Public safety	3,293,266	29.0	2,824,334	16.6
Public Works	811,744	7.2	754,767	7.6
Sanitation , Health and Welfare	1,646,229	14.4	1,350,851	21.9
Recreation & Tourism	1,358,604	12.0	1,301,438	4.4
Capital Outlay	905,253	8.0	524,878	72.5
Debt Service:				
Principal	1,416,071	12.4	1,361,071	4.1
Interest and Fiscal Charges	846,650	7.4	907,584	(6.8)
Total	11,358,285		10,034,157	13.2

Fund Balance

Combined fund balance for all of the governmental fund types decreased \$84,102, from a balance of \$4,890,572 in the prior year to \$4,806,470 as of the current fiscal year end.

General Fund

Revenues and transfers-in generated \$5,929,934 and 1,172,270, respectively, aggregating \$7,102,204. Expenditures and transfers-out amounted to \$6,274,776 and \$397,892, respectively, aggregating \$6,672,668. The resulting effect on fund balance represented an increase of \$429,536. The transfers out were primarily to the Aquatic Center Fund to cover operating costs.

AP Municipal Development District Fund

The fund balance of the AP Municipal Development District Fund decreased from \$916,819 in the prior year to \$479,413, a decrease of \$437,406. The District is a

separate legal entity, but has been reported as a blended component unit in the financial statements. The District provides financing services to the City.

Debt Service Fund

The fund balance of the debt service fund decreased from \$277,771 in the prior year to \$73,657, a decrease of \$204,114.

PROPRIETARY FUNDS

Enterprise Funds

The City’s enterprise operations consist of the Water and Sewer Fund, Harbor Fund, and the Aquatic Center.

Consumption

Historical consumption and its percentage increase (decrease) from the previous year, over the last three years, are presented in the following table:

**Table 6
Consumption**

Fiscal Year	10-11	09-10	% Increase/ Decrease	08-09	% Increase/ Decrease
Total Consumption	421,745,900	408,163,400	3%	438,633,990	(7%)

Growth in Customer Base

The City of Aransas Pass has seen a growth in the customer base on the average of 1% annually since 2005. Meter connections decreased slightly in 2011 due to the decrease at the Navy Housing. This is illustrated in the table below:

Table 7
Growth in Customer Base

Fiscal Year	10-11	09-10	% Increase/ Decrease	08-09	% Increase/ Decrease
Total Meter Connections	3,824	3,765	1%	3,804	(1%)

Utility System Fund

Operating revenues for the Water and Sewer Fund were \$3,729,445, which is \$316,437 more than 2010. Expenses were \$3,105,024, which is \$195,310 more than 2010.

Harbor Fund

The Harbor Fund is funded with rental revenue. Revenues for the Harbor totaled \$137,497, which is \$19,341 less than revenues for 2010. Expenses for the same period were \$199,337, a total of \$60,122 less than 2010. The Harbor is undergoing various clean up projects.

Aquatic Center

The Aquatic Center is funded with revenue from admissions, passes, rentals, instructional classes and concessions. Revenues for the Aquatic Center totaled \$299,088, which is \$21,011 less than revenues for 2010. Expenses for the same period were \$459,065, a total of \$1,397 less than 2010.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$28,573,369 in capital assets.

Table 8
Capital Assets at Year-end
(Net of Depreciation,)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2011	2011	2010
Land	7.5	7.5	.3	.3	7.8	7.8
Const in Prog.						
Buildings and improvements	9.7	9.7	.3	.4	10.0	10.1
Equipment	1.9	1.9	.3	.3	2.2	2.2
Infrastructure	2.6	2.7	5.8	6.0	8.4	8.7
Totals	21.7	21.8	6.7	7.0	28.4	28.8

The City began accounting for infrastructure for Governmental Activities in 2006 as required by GASB 34. Prior to 2006, infrastructure for Governmental Activities was expensed in accordance with the accounting rules in effect at that time.

Debt Administration

The City of Aransas Pass is authorized to issue bonds, for any purpose for which a city may issue bonds under the constitution and laws of the State of Texas.

Type of Debt Issued

The types of debt the City has issued are revenue bonds, general obligation refunding bonds, and combination tax and revenue certificates of obligation. At September 30, 2011, the City had no bonds of any type approved that had not been issued.

Bond Ratings

The City's bond rating as of last issue from Standard and Poor's was upgraded to A+.

Bonds Outstanding

At the end of the fiscal year, the City had \$19.4 million in bonds outstanding – as shown in Table 9.

Table 9
Outstanding Debt at Year-end
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
General obligation bonds (backed by the City)	17.7	18.5	1.7	1.9	19.4	20.4
Revenue bonds (backed by specific tax and fee revenues)	0.0	0.0	0.0	0.0	0.0	0.0
Totals	17.7	18.5	1.7	1.9	19.4	20.4

During the year, the City issued \$500,000 of Tax Anticipation Notes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2011-12 the elected and appointed officials considered many factors including the forces driving the economy in their budget decisions, including the increased housing starts, increased development, and raw land being turned into retail and housing.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to inform the citizens, taxpayers and customers of the City of Aransas Pass as well as its investors and creditors about the City's finances and to provide accountability for the public support that it receives. If you have any questions about the report or need additional financial information, contact the Finance Director's Office at the City of Aransas Pass, 600 E. Cleveland, Aransas Pass, Texas 78336.

Basic Financial Statements

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CITY OF ARANSAS PASS, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

EXHIBIT A-1

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 2,789,723	\$ 1,198,995	\$ 3,988,718
Receivables (net of allowances for uncollectibles):			
Property Taxes	452,267	--	452,267
Accounts	153,900	443,825	597,725
Occupancy Taxes	86,857	--	86,857
Sales Taxes	272,414	--	272,414
Assessments	374,384	--	374,384
Sundry	3,026	--	3,026
Fines	250,000	--	250,000
Intergovernmental	37,927	--	37,927
Internal Balances	76,070	(76,070)	--
Inventories	17,699	--	17,699
Restricted Assets:			
Cash and Cash Equivalents	1,658,207	505,412	2,163,619
Sales Taxes Receivable	59,246	--	59,246
Unamortized Bond Costs	270,271	71,603	341,874
Capital Assets:			
Land	7,507,865	308,583	7,816,448
Construction in Progress	--	31,765	31,765
Buildings	8,929,041	--	8,929,041
Water and Sewer System	--	11,857,798	11,857,798
Improvements other than Buildings	3,400,419	2,669,758	6,070,177
Furniture and Equipment	4,576,949	1,177,732	5,754,681
Infrastructure	3,407,803	--	3,407,803
Less Accumulated Depreciation	(5,849,518)	(9,264,989)	(15,114,507)
Total Assets	<u>28,474,550</u>	<u>8,924,412</u>	<u>37,398,962</u>
LIABILITIES:			
Accounts Payable and Other Current Liabilities	277,445	128,750	406,195
Accrued Interest Payable	161,248	10,173	171,421
Deferred Revenue	47,815	--	47,815
Customer Deposits	23,339	--	23,339
Liabilities Payable from Restricted Assets			
Customer Deposits	--	291,069	291,069
Noncurrent Liabilities-			
Due within one year	1,545,689	131,000	1,667,000
Due in more than one year	16,148,937	1,531,426	17,690,052
Total Liabilities	<u>18,204,473</u>	<u>2,092,418</u>	<u>20,296,891</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	5,635,357	5,135,647	10,771,004
Restricted For:			
Public Library	64,315	--	64,315
Debt Service	286,407	--	286,407
Capital Outlay	1,108,492	--	1,108,492
Tourism	242,482	--	242,482
Law Enforcement	792,322	--	792,322
Emergency Services	60,932	--	60,932
Building Security	60,628	--	60,628
Municipal Court Technology	12,323	--	12,323
Special Projects	810,001	--	810,001
Unrestricted	1,196,818	1,696,347	2,893,165
Total Net Assets	<u>\$ 10,270,077</u>	<u>\$ 6,831,994</u>	<u>\$ 17,102,071</u>

The accompanying notes are an integral part of this statement.

CITY OF ARANSAS PASS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 1,140,134	\$ 243,775	\$ --	\$ --
Public Safety	3,022,707	637,115	551,706	--
Public Works	1,061,717	--	--	--
Sanitation	1,487,975	1,384,868	9,482	--
Health and Welfare	163,167	--	--	--
Culture and Recreation	1,503,117	315,539	12,366	--
Tourism	190,983	--	--	--
Interest and Fiscal Charges	877,007	--	--	--
Total Governmental Activities	<u>9,446,807</u>	<u>2,581,297</u>	<u>573,554</u>	<u>--</u>
Business-type Activities:				
Water and Sewer	3,170,866	3,729,445	--	31,765
Harbor	199,337	137,497	--	--
Aquatic Center	459,065	299,088	--	--
Total Business-type Activities	<u>3,829,268</u>	<u>4,166,030</u>	<u>--</u>	<u>31,765</u>
Total Primary Government	<u>\$ 13,276,075</u>	<u>\$ 6,747,327</u>	<u>\$ 573,554</u>	<u>\$ 31,765</u>
General Revenues:				
Property Taxes				
Sales Taxes				
Franchise Taxes				
Mixed Beverage Taxes				
Occupancy Taxes				
Interest Income				
Insurance Proceeds				
Royalties				
Miscellaneous				
Transfers				
Total General Revenues				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (896,359)		\$ (896,359)
(1,833,886)		(1,833,886)
(1,061,717)		(1,061,717)
(93,625)		(93,625)
(163,167)		(163,167)
(1,175,212)		(1,175,212)
(190,983)		(190,983)
(877,007)		(877,007)
<u>(6,291,956)</u>		<u>(6,291,956)</u>
--	\$ 590,344	590,344
--	(61,840)	(61,840)
--	(159,977)	(159,977)
--	<u>368,527</u>	<u>368,527</u>
<u>(6,291,956)</u>	<u>368,527</u>	<u>(5,923,429)</u>
3,056,944	--	3,056,944
3,066,826	--	3,066,826
385,897	--	385,897
10,517	--	10,517
205,300	--	205,300
12,397	903	13,300
13,265	--	13,265
72,330	--	72,330
45,688	--	45,688
<u>448,445</u>	<u>(448,445)</u>	<u>--</u>
<u>7,317,609</u>	<u>(447,542)</u>	<u>6,870,067</u>
1,025,653	(110,780)	914,873
9,244,424	6,942,774	16,187,198
<u>\$ 10,270,077</u>	<u>\$ 6,831,994</u>	<u>\$ 17,102,071</u>

CITY OF ARANSAS PASS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General Fund	Debt Service Fund
ASSETS		
Cash and Cash Equivalents	\$ 1,792,687	\$ 73,657
Receivables (net of allowances for uncollectibles):		
Property Taxes	239,517	212,750
Accounts	152,073	--
Occupancy Taxes	--	--
Sales Taxes	146,691	--
Assessments	--	--
Sundry	--	--
Intergovernmental	37,927	--
Due from Other Funds	236,642	--
Inventories	14,472	--
Restricted Assets:		
Cash and Cash Equivalents	--	--
Sales Taxes Receivable	--	--
Total Assets	\$ 2,620,009	\$ 286,407
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	\$ 231,661	\$ --
Due to Other Funds	320	--
Deferred Revenue	287,332	212,750
Customer Deposits	--	--
Total Liabilities	519,313	212,750
Fund Balances:		
Nonspendable	14,472	--
Restricted	--	73,657
Committed	--	--
Unassigned	2,086,224	--
Total Fund Balance	2,100,696	73,657
Total Liabilities and Fund Balance	\$ 2,620,009	\$ 286,407

The accompanying notes are an integral part of this statement.

Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
\$ 135,648	\$ 787,731	\$ 2,789,723
--	--	452,267
--	1,827	153,900
--	86,857	86,857
--	125,723	272,414
374,384	--	374,384
--	3,026	3,026
--	--	37,927
--	320	236,962
--	3,227	17,699
--	1,658,207	1,658,207
--	59,246	59,246
\$ 510,032	\$ 2,726,164	\$ 6,142,612
\$ --	\$ 45,784	\$ 277,445
--	160,572	160,892
374,384	--	874,466
--	23,339	23,339
374,384	229,695	1,336,142
--	3,227	17,699
--	2,423,611	2,497,268
135,648	69,631	205,279
--	--	2,086,224
135,648	2,496,469	4,806,470
\$ 510,032	\$ 2,726,164	\$ 6,142,612

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CITY OF ARANSAS PASS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

EXHIBIT A-4

Total fund balances - governmental funds balance sheet	\$ 4,806,470
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	21,972,559
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	452,267
Payables for bond principal which are not due in the current period are not reported in the funds.	(17,430,282)
Payables for bond interest which are not due in the current period are not reported in the funds.	(161,248)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(159,737)
Payables for contracts which are not due in the current period are not reported in the funds.	(60,711)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	270,271
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	250,000
Liability for OEPB is not recorded in funds.	(37,460)
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	374,384
Net assets of governmental activities - Statement of Net Assets	\$ 10,276,513

The accompanying notes are an integral part of this statement.

CITY OF ARANSAS PASS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Debt Service Fund
Revenue:		
Taxes:		
General Property Taxes	\$ 1,499,465	\$ 1,480,995
Sales Taxes	1,688,928	--
Franchise Taxes	385,897	--
Occupancy Taxes	--	--
Mixed Beverage Taxes	10,517	--
License and Permits	131,414	--
Intergovernmental	146,840	--
Charges for Services	1,327,232	--
Fines and Forfeitures	401,993	--
Special Assessments	--	--
Interest	5,456	362
Rents and Royalties	184,691	--
PILOT - Industrial Development District	88,648	--
Other	58,853	--
Total revenues	<u>5,929,934</u>	<u>1,481,357</u>
Expenditures:		
Current:		
General Government	1,066,275	--
Public Safety	2,582,427	--
Public Works	811,744	--
Sanitation	1,178,230	--
Health and Welfare	158,254	--
Culture and Recreation	428,526	--
Tourism	--	--
Debt Service:		
Principal	6,071	1,130,000
Interest and Fiscal Charges	--	554,647
Fiscal Agent's Fees	--	2,114
Capital Outlay	43,249	--
Total Expenditures	<u>6,274,776</u>	<u>1,686,761</u>
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	<u>(344,842)</u>	<u>(205,404)</u>
Other Financing Sources (Uses):		
Operating Transfers In	1,172,270	--
Operating Transfers Out	(397,892)	--
Accrued Interest from Bond Issue	--	1,290
Tax Notes Issued	--	--
Total Other Financing Sources (Uses)	<u>774,378</u>	<u>1,290</u>
Net Change in Fund Balances	429,536	(204,114)
Fund Balances - Beginning	1,671,160	277,771
Fund Balances - Ending	<u>\$ 2,100,696</u>	<u>\$ 73,657</u>

The accompanying notes are an integral part of this statement.

Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 2,980,460
--	1,377,898	3,066,826
--	--	385,897
--	205,300	205,300
--	--	10,517
--	--	131,414
--	409,232	556,072
--	471,703	1,798,935
--	22,946	424,939
1,503	--	1,503
1,034	4,255	11,107
--	--	184,691
--	--	88,648
--	17,582	76,435
<u>2,537</u>	<u>2,508,916</u>	<u>9,922,744</u>
--	14,189	1,080,464
--	309,139	2,891,566
--	--	811,744
--	309,745	1,487,975
--	--	158,254
--	739,095	1,167,621
--	190,983	190,983
--	280,000	1,416,071
--	272,389	827,036
--	17,500	19,614
--	862,004	905,253
<u>--</u>	<u>2,995,044</u>	<u>10,956,581</u>
<u>2,537</u>	<u>(486,128)</u>	<u>(1,033,837)</u>
--	648,484	1,820,754
--	(974,417)	(1,372,309)
--	--	1,290
--	500,000	500,000
<u>--</u>	<u>174,067</u>	<u>949,735</u>
2,537	(312,061)	(84,102)
133,111	2,808,530	4,890,572
<u>\$ 135,648</u>	<u>\$ 2,496,469</u>	<u>\$ 4,806,470</u>

CITY OF ARANSAS PASS, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Net change in fund balances - total governmental funds	\$ (84,102)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	905,253
The depreciation of capital assets used in governmental activities is not reported in the funds.	(742,840)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	76,484
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,410,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	6,071
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(46,893)
The change in the OEPB liability is recorded in the SOA but not in the funds.	(13,230)
(Increase) decrease in accrued interest from beginning of period to end of period.	14,648
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(18,687)
Certain assessment revenues are deferred in the funds. This is the change in these amounts this year.	(1,503)
Revenues in the SOA for court fines not providing current financial resources are not reported in the funds.	25,000
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(500,000)
Bond issue costs are reported in the funds but not in the SOA.	17,500
Amortization of deferred loss on refunding is in the SOA, but not in the funds.	(15,612)
Change in net assets of governmental activities - Statement of Activities	\$ 1,032,089

The accompanying notes are an integral part of this statement.

CITY OF ARANSAS PASS, TEXAS

STATEMENT OF NET ASSETS

ENTERPRISE FUNDS

SEPTEMBER 30, 2011

EXHIBIT A-7

	Enterprise Fund Water and Sewer Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 1,192,921	\$ 6,074	\$ 1,198,995
Receivables (net of allowances for uncollectibles):			
Accounts	430,485	13,340	443,825
Total Current Assets	<u>1,623,406</u>	<u>19,414</u>	<u>1,642,820</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents			
Cash	505,412	--	505,412
Bond Issuance cost, net	71,603	--	71,603
Capital Assets:			
Land	308,583	--	308,583
Construction in Progress	31,765	--	31,765
Improvements Other Than Buildings	--	2,669,758	2,669,758
Water System	3,534,076	--	3,534,076
Sewer System	8,323,722	--	8,323,722
Machinery and Equipment	1,138,305	39,427	1,177,732
Less Accumulated Depreciation	(6,905,342)	(2,359,647)	(9,264,989)
Total Noncurrent Assets	<u>7,008,124</u>	<u>349,538</u>	<u>7,357,662</u>
Total Assets	<u>\$ 8,631,530</u>	<u>\$ 368,952</u>	<u>\$ 9,000,482</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	\$ 117,992	\$ 10,758	\$ 128,750
Due to other funds	75,554	516	76,070
Accrued interest payable	10,173	--	10,173
Compensated absences pay. - current	6,000	--	6,000
Certificates of Obligation Payable-current	125,000	--	125,000
Total Current Liabilities	<u>334,719</u>	<u>11,274</u>	<u>345,993</u>
Current Liabilities Payable from Restricted Assets-			
Customer Deposits	291,069	--	291,069
Total Current Liabilities Payable	<u>291,069</u>	<u>--</u>	<u>291,069</u>
Noncurrent Liabilities:			
Bonds and Certificates of Oblg. Payable	1,520,000	--	1,520,000
Compensated absences payable	11,426	--	11,426
Total Noncurrent Liabilities	<u>1,531,426</u>	<u>--</u>	<u>1,531,426</u>
Total Liabilities	<u>2,157,214</u>	<u>11,274</u>	<u>2,168,488</u>
NET ASSETS:			
Investment in Capital Assets, Net of Related Debt	4,786,109	349,538	5,135,647
Unrestricted Net Assets	1,688,207	8,140	1,696,347
Total Net Assets	<u>\$ 6,474,316</u>	<u>\$ 357,678</u>	<u>\$ 6,831,994</u>

The accompanying notes are an integral part of this statement.

CITY OF ARANSAS PASS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Enterprise Fund Water and Sewer Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
OPERATING REVENUES:			
Charges for services	\$ 3,729,445	\$ 436,585	\$ 4,166,030
Total Operating Revenues	3,729,445	436,585	4,166,030
OPERATING EXPENSES:			
Personal services	749,310	229,503	978,813
Contractual services	377,628	217,444	595,072
Supplies	1,435,113	101,508	1,536,621
Maintenance	252,328	41,597	293,925
Depreciation and Amortization	290,645	68,350	358,995
Total Operating Expenses	3,105,024	658,402	3,763,426
Operating Income	624,421	(221,817)	402,604
NON-OPERATING REVENUES (EXPENSES):			
Interest income	849	54	903
Interest expense	(65,842)	--	(65,842)
Total Non-operating Revenues (Expenses)	(64,993)	54	(64,939)
Income before Transfers	559,428	(221,763)	337,665
Contributions	31,765	--	31,765
Operating transfers In	--	161,555	161,555
Operating transfers out	(610,000)	--	(610,000)
Change in Net Assets	(18,807)	(60,208)	(79,015)
Total Net Assets - Beginning	6,493,123	417,886	6,911,009
Total Net Assets - Ending	\$ 6,474,316	\$ 357,678	\$ 6,831,994

The accompanying notes are an integral part of this statement.

CITY OF ARANSAS PASS, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Enterprise Funds		
	Water & Sewer Fund	Other Funds	Totals
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 3,807,968	\$ 429,511	\$ 4,237,479
Cash Received from Grants	--	--	--
Cash Receipts (Payments) for Operating Transactions with Other Funds	(186,186)	(13,997)	(200,183)
Cash Payments to Employees for Services	(752,701)	(229,503)	(982,204)
Cash Payments to Other Suppliers for Goods and Services	(2,158,631)	(354,681)	(2,513,312)
Net Cash Provided (Used) by Operating Activities	<u>710,450</u>	<u>(168,670)</u>	<u>541,780</u>
Cash Flows from Non-capital Financing Activities:			
Transfers From Other Funds	--	161,555	161,555
Transfers To Other Funds	(610,000)	--	(610,000)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(610,000)</u>	<u>161,555</u>	<u>(448,445)</u>
Cash Flows from Capital and Related Financing Activities:			
Principal and Interest Paid	(186,783)	--	(186,783)
Acquisition or Construction of Capital Assets	(128,048)	--	(128,048)
Proceeds from Capital Grants	31,765	--	31,765
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(283,066)</u>	<u>--</u>	<u>(283,066)</u>
Cash Flows from Investing Activities:			
Interest and Dividends on Investments	849	54	903
Net Cash Provided (Used) for Investing Activities	<u>849</u>	<u>54</u>	<u>903</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(181,767)	(7,061)	(188,828)
Cash and Cash Equivalents at Beginning of Year	1,880,100	13,135	1,893,235
Cash and Cash Equivalents at End of Year	<u>\$ 1,698,333</u>	<u>\$ 6,074</u>	<u>\$ 1,704,407</u>

Reconciliation of Operating Income to Net Cash**Provided by Operating Activities:**

Operating Income (Loss)	\$ 624,421	\$ (221,817)	\$ 402,604
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation and Amortization	290,645	68,350	358,995
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	(11,905)	(7,074)	(18,979)
Increase (Decrease) in Accounts Payable	(93,562)	5,868	(87,694)
Increase (Decrease) in Interfund Payables	(186,186)	(13,997)	(200,183)
Increase (Decrease) in Accrued Expenses	(3,391)	--	(3,391)
Increase (Decrease) in Customer Deposits	90,428	--	90,428
Total Adjustments	<u>86,029</u>	<u>53,147</u>	<u>139,176</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 710,450</u>	<u>\$ (168,670)</u>	<u>\$ 541,780</u>

The accompanying notes are an integral part of this statement.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

A. Summary of Significant Accounting Policies

The combined financial statements of City of Aransas Pass, Texas (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The City of Aransas Pass, Texas was incorporated under the General Laws of the State of Texas on April 5, 1910, with said Charter having been amended (Home Rule City Act) on November 27, 1951. The City operates under a home rule charter with a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and parks and recreation, planning and social services, cultural-recreation, public improvements, planning and zoning, and general administrative services.

1. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

Blended Component Units

Blended component units provide services exclusively or almost exclusively for the City, and/or their Board of Directors are substantially the same as the City Council. The following blended component units are reported:

Aransas Pass Municipal Development District

The Aransas Pass Municipal Development District (the District) was created pursuant to the provisions of Chapter 377 of the Texas Local Government Code by a general election on May 2, 1998. A 1/2 cent sales tax was approved by the voters to fund the District's development projects. The City Council appoints all of the District's board members and can remove them at will. Since the City appoints the board of directors, the District provides services to the exclusive benefit of the City, and makes debt service payments for the City, it has been reported as a blended component unit in a special revenue fund. The District issues separate financial statements which are available upon request.

Aransas Pass Civic Center

The Aransas Pass Civic Center was constructed from certificates of obligation issued in 2007 and from funds of the Aransas Pass Municipal Development District. The City contracted with Venu Works of Aransas Pass, LLC to manage the Civic Center. Venu Works handles all operations of the Civic Center independent of the

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

City. Civic Center operations are subsidized by the Aransas Pass Municipal Development District. Due to the financial interdependency of the Aransas Pass Civic Center, it is a blended component unit reported as a special revenue fund. The Civic Center does not issue separate financial statements.

Aransas Pass Crime Control and Prevention District

In May 2009, the voters approved the creation of the Aransas Pass Crime Control and Prevention District which will be funded by a 1/2 cent sales tax. Board Members are appointed by the City Council. Although the District is legally separate from the City, the District will be reported as if it were part of the primary government because it is a financing mechanism for the City to provide public safety to the citizens of the City. The District issues separate financial statements which are available upon request. The District's fiscal year ends in July, and accordingly, the financial statements as of, and for the year ended July 31, 2010 are included in these financial statements.

Discretely Presented Component Units

There are no component units which require discrete presentation.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

Aransas Pass Municipal Development Fund. This fund accounts for revenues and expenditures of the Aransas Pass Municipal Development District which is described above.

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Debt Service Fund. This fund accounts for the resources accumulated and payments made for the principal and interest on long-term general obligation debt of the City.

Capital Improvements Fund. This fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

The City reports the following major enterprise funds:

Water and Sewer Fund. This fund accounts for the operations of the City's water and sewer system.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen not to apply future FASB standards.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

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Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$3,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	30-40
Other Improvements	20-25
Machinery and Equipment	5-10
Water and Sewer System	30-50

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Compensated Absences

The City allows employees to accumulate earned, but unused vacation which will be paid to employees upon separation from the City's service. This liability is accrued when incurred in the government-wide and proprietary fund financial statements.

CITY OF ARANSAS PASS, TEXAS
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g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

i. New Pronouncements

Three statements for the Governmental Accounting Standards Board (GASB) were effective for the City in the fiscal year ending September 30, 2011.

GASB Statement 54 "Fund Balance Reporting and Governmental Type Definitions". The statement was establishes new fund balance classifications. (See j. below). The statement attempts to establish consistency in fund balance reporting for states and local governments.

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the City's City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

4. Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end. During the year, the budget was amended as needed. All budget appropriations lapse at year end.

The City Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter total appropriations must be approved by the City Council. Therefore, the level of budgetary responsibility is by total appropriations. For report purposes, this level has been extended to a functional basis (i.e. General Government, Public Safety, etc.).

The following funds have legally adopted budgets: General Fund, Crime Control, Hotel/Motel Occupancy Tax Fund, Debt Service Fund and Enhanced 911 Fund.

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.

Formal budgets are not adopted in the Capital Projects Funds. Effective budgetary control in these funds is achieved through individual project budgeting in conformance with the provisions of bond orders, grant awards and other sources.

5. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

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2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Fund	Deficit	
Citizens Collection Fund	\$ (25,042.00)	Temporary shortage to be replenished by General Fund

C. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

At September 30, 2011, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,021,237 and the bank balance was \$1,173,178. The City's cash deposits at September 30, 2011 and during the year ended September 30, 2011, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

Investment or Investment Type	Maturity	Fair Value
TexPool	1 Day	\$ 5,131,100
Total Investments		\$ <u>5,131,100</u>

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

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a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The City's investment policy seeks to minimize credit risk by limiting the types and term of investments. The policy allows for investments in Public Fund Investment Pools described below which must have an AAA or AAAM rating.

At September 30, 2011, the City's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

<u>Investment</u>	<u>Rating</u>	<u>Rating Agency</u>
TexPool	AAAM	Standard and Poor's

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting its investments to TexPool.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

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Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

D. Capital Assets

Capital asset activity for the year ended September 30, 2011, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 7,507,865	\$ --	\$ --	\$ 7,507,865
Construction in progress	--	--	--	--
Total capital assets not being depreciated	<u>7,507,865</u>	<u>--</u>	<u>--</u>	<u>7,507,865</u>
Capital assets being depreciated:				
Buildings	8,929,041	--	--	8,929,041
Improvements other than buildings	2,887,215	337,224	--	3,224,439
Machinery and Equipment	4,336,492	240,457	--	4,576,949
Infrastructure	3,364,554	43,249	--	3,407,803
Total capital assets being depreciated	<u>19,517,302</u>	<u>620,930</u>	<u>--</u>	<u>20,138,232</u>
Less accumulated depreciation for:				
Buildings	(1,262,333)	(191,259)	--	(1,453,592)
Improvements other than buildings	(842,990)	(119,503)	--	(962,493)
Machinery and Equipment	(2,322,252)	(319,204)	--	(2,641,456)
Infrastructure	(679,104)	(112,874)	--	(791,978)
Total accumulated depreciation	<u>(5,106,679)</u>	<u>(742,840)</u>	<u>--</u>	<u>(5,849,519)</u>
Total capital assets being depreciated, net	<u>14,410,623</u>	<u>(121,910)</u>	<u>--</u>	<u>14,288,713</u>
Governmental activities capital assets, net	<u>\$ 21,918,488</u>	<u>\$ (121,910)</u>	<u>\$ --</u>	<u>\$ 21,796,578</u>

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 308,583	\$ --	\$ --	\$ 308,583
Construction in progress	--	31,765	--	31,765
Total capital assets not being depreciated	308,583	31,765	--	340,348
Capital assets being depreciated:				
Improvements other than buildings	2,669,758	--	--	2,669,758
Water and sewer system	11,786,567	71,230	--	11,857,797
Machinery and equipment	1,152,682	25,050	--	1,177,732
Total capital assets being depreciated	15,609,007	96,280	--	15,705,287
Less accumulated depreciation for:				
Improvements other than buildings	(2,253,475)	(66,744)	--	(2,320,219)
Water and sewer system	(5,813,689)	(235,977)	--	(6,049,666)
Machinery and equipment	(844,639)	(54,320)	--	(898,959)
Total accumulated depreciation	(8,911,803)	(357,041)	--	(9,268,844)
Total capital assets being depreciated, net	6,697,204	(260,761)	--	6,436,443
Business-type activities capital assets, net	\$ 7,005,787	\$ (228,996)	\$ --	\$ 6,776,791

Depreciation was charged to functions as follows:

Governmental Activities:	
General Government	\$ 40,004
Public Safety	112,454
Culture and Recreation	335,496
Public Works	249,973
Public Health and Welfare	4,913
	<u>\$ 742,840</u>
Business Activities:	
Water and Sewer	\$ 287,086
Harbor	69,955
	<u>\$ 357,041</u>

E. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2011, consisted of the following:

	Receivable	Payable	Net
Governmental Fund Types:			
Governmental Funds:			
General Fund	\$ 236,642	\$ 320	
Aransas Pass Municipal Development District	--	160,572	
Other nonmajor governmanal funds	320	1,796	
	<u>\$ 236,962</u>	<u>\$ 162,688</u>	<u>\$ 74,274</u>
Proprietary Fund Types:			
Enterprise Funds:			
Water and Sewer Fund	\$ --	\$ 73,758	
Harbor Fund	--	516	
	<u>\$ --</u>	<u>\$ 74,274</u>	<u>\$ (74,274)</u>

CITY OF ARANSAS PASS, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2011

\$ --

All amounts due are for short-term loans and are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2011, consisted of the following:

Transfers From	Transfers To	Amount	Reason
Water and Sewer Fund	General Fund	\$ 610,000	Administrative Charges
Aransas Pass Municipal Dev. District	General Fund	160,572	Reimburse General Fund for Aquatic Center Losses
Aransas Pass Crime Control and Prevention District	General Fund	401,700	Public Safety assistance
Aransas Pass Municipal Dev. District	Civic Center Fund	412,145	Supplement other funds sources
General Fund	Citizens Collection Fund	236,339	Supplement other funds sources
General Fund	Aquatic Center Fund	161,555	Supplement other funds sources
	Total	\$ 1,982,311	

F. Long-Term Obligations

1. Long-Term Obligation Activity

The City issues general obligation and revenue bonds, certificates of obligation, and tax notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and certificates of obligation have been issued for both governmental and proprietary activities. Revenue bonds have been issued for only proprietary activities. Bonds and certificates of obligation are reported in proprietary funds if they are expected to be repaid from proprietary revenues.

Outstanding bonds, certificates of obligation and tax notes consisted of the following at September 30, 2011:

	Interest Rate	General Long-Term Debt	Enterprise Fund Debt
<u>Bonded Debt</u>			
Tax and Limited Pledge Revenue, Certificates of Obligation, Series 2002	4.30 - 6.00%	\$ 125,000	\$ --
Tax and Limited Pledge Revenue, Certificates of Obligation, Series 2003	2.50 - 4.35%	1,475,000	--
Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2005	1.70% - 3.75%	--	850,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2006	4.25%	--	795,000
General Obligation Refunding Bonds, Series 2007	4.025%	4,225,000	--
Taxable Combination Tax and Limited Pledge Revenue			

CITY OF ARANSAS PASS, TEXAS
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Certificates of Obligation, Series 2007	5.75 - 6.375%	5,775,000	--
Tax Notes, Series 2007	4.30%	225,000	--
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007	3.92%	3,405,000	--
General Obligation Refunding Bonds, Series 2008	2.95%	790,000	--
Tax Notes, Series 2009	2.85-3.00%	160,000	--
Tax Notes, Series 2010	2.0%-3.0%	930,000	--
Tax Notes, Series 2010	2.78%	500,000	--
Totals		17,610,000	1,645,000
Deferred Loss on Advance Refunding		(195,330)	--
		<u>\$ 17,414,670</u>	<u>\$ 1,645,000</u>

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2011, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General bonded debt	\$ 18,520,000	\$ 500,000	\$ 1,410,000	\$ 17,610,000	1,530,000
Deferred loss on adv. ref.	(226,554)		(31,224)	(195,330)	(15,612)
OBEP obligation	24,230	19,666		43,896	13,230
Compensated absences *	141,050	18,687	--	159,737	12,000
Contracts*	66,782		6,071	60,711	6,071
Total governmental activities	<u>\$ 18,525,508</u>	<u>\$ 538,353</u>	<u>\$ 1,384,847</u>	<u>\$ 17,679,014</u>	<u>\$ 1,545,689</u>
Business-type activities:					
General bonded debt	\$ 1,765,000	\$ --	\$ 120,000	\$ 1,645,000	125,000
Compensated absences *	11,303	6,123	--	17,426	6,000
Total business-type activities	<u>\$ 1,776,303</u>	<u>\$ 6,123</u>	<u>\$ 120,000</u>	<u>\$ 1,662,426</u>	<u>\$ 131,000</u>

* Other long-term liabilities
The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General Fund
Contracts	Governmental	General Fund
Compensated absences	Business-type	Water and Sewer Fund

CITY OF ARANSAS PASS, TEXAS
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2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2011, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2012	\$ 1,530,000	\$ 781,008	\$ 2,311,008
2013	1,605,000	720,219	2,325,219
2014	1,675,000	656,118	2,331,118
2015	1,400,000	595,325	1,995,325
2016	1,040,000	546,216	1,586,216
2017-2021	4,500,000	2,060,769	6,560,769
2022-2026	4,755,000	947,664	5,702,664
2027	1,105,000	34,101	1,139,101
Totals	\$ 17,610,000	\$ 6,341,420	\$ 23,951,420

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2012	\$ 125,000	\$ 61,727	\$ 186,727
2013	130,000	57,127	187,127
2014	130,000	52,252	182,252
2015	135,000	47,250	182,250
2016	145,000	42,118	187,118
2017-2021	695,000	121,371	816,371
2022-2025	285,000	21,783	306,783
Totals	\$ 1,645,000	\$ 403,628	\$ 2,048,628

3. Advance Refunding of Debt

At September 30, 2011, the City had \$2,980,000 of legally defeased bonds outstanding.

4. Contracts payable are due as follows:

Year Ending September 30,	Government-type Activities	
2012	\$	6,071
2013		6,071
2014		6,071
2015		6,071
2016-2020		30,355
Totals	\$	60,710

5. Continuing Disclosure

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City.

G. Commitments Under Noncapitalized Leases

The City had no material commitments under noncapitalized leases for the year ended September 30, 2011.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

H. Restricted Assets

Cash and cash equivalents were restricted for the following purposes at September 30, 2011:

	Governmental Activities	Business-type Activities
Bond Construction Funds	\$ 1,077,468	\$ 109,902
Special Projects	580,739	--
Debt Service	--	104,441
Customer Deposits	--	291,069
	<u>\$ 1,658,207</u>	<u>\$ 505,412</u>

Sales Taxes Receivable were restricted for the following purposes at September 30, 2011:

	Governmental Activities
Special Projects	<u>\$ 59,246</u>

I. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2011, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

J. Pension Plan

1. Plan Description

The City's provided pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, PO. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2010	Plan Year 2010
Employee deposit rate	<u>6.00%</u>	<u>6.00%</u>
Matching ratio(city to employee)	2 to 1	2 to 1

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Years required for vesting	10	10
Service retirement eligibility express as age/years of service	60/10,0/20	60/10,0/20
Updated Service Credit	100% Repeating Transfers	100% Repeating Transfers
Annuity Increase (to employees)	70% of CPI Repeating	70% of CPI Repeating

2. Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal costs and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation(asset) are as follows:

Net Pension Obligation (NPO) at Beginning of Year	\$	--
Annual Pension Cost:		
Annual required contribution (ARC)	\$	390,647
Contributions Made	\$	390,647
NPO at End of Year	\$	--

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Acutuarial Valuation Date	12/31/08	12/31/09	Prior to Resturcturing 12/31/10	Restructured 12/31/10
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	29 years: closed period	28.1 years: closed period	27.1 years: closed period	27.1 years: closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	10 year Smoothed Market	10 year Smoothed Market	10 year Smoothed Market

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Investment Rate of Return	7.5%	7.5%	7.5%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
Inflation Rate	3.0%	3.0%	3.0%	3.0%
Cost of Living Adjustments	2.1%	2.1%	2.1%	2.1%

3 Funding Status and Funding Progress: In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumption were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting. For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 Comprehensive Annual Financial Report.

The funding status as of December 31, 2010, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Prior to Restructuring 12/31/10	Restructured 12/31/10
Actuarial Value of Assets	\$ 4,708,719	\$ 7,503,978
Actuarial Accrued Liability	\$ 8,094,467	\$ 10,617,211
Percentage Funded	58.2%	70.7%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ 3,385,748	\$ 3,113,233
Annual Covered Payroll	\$ 3,148,461	\$ 3,148,461
UAAL as a Percentage of Covered Payroll	107.5%	98.9%

4. Trend Information for the Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/09	\$ 307,664	100.00%	\$ --
09/30/10	347,608	100.00%	--
09/30/11	360,647	100.00%	--

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability(AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/08	\$ 3,829,826	\$ 6,969,424	\$ 3,139,598	55.00%	\$ 2,969,879	105.7%
12/31/09	4,238,802	7,588,781	3,349,979	55.90%	3,054,203	109.7%
12/31/10 (1)	4,708,719	8,094,467	3,385,748	58.20%	3,148,461	107.5%
12/31/10(2)	7,503,978	10,617,211	3,113,233	70.68%	3,148,461	98.88%

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

- (1) Valuation performed under original fund structure.
- (2) Valuation performed under the new fund structure.

K. Post Employment Benefits Other Than Pension Benefits

Plan Participants

Full time employees of the City are eligible to receive retiree health care benefits. The City will contribute 50% of the Municipality sponsored health care benefits until Medicare is available to the retiree.

Normal Health Care Retirement Conditions

At least 60 years of age and have 20 years of consecutive service and currently enrolled in the health care policy.

Vested Termination Benefits

Members terminating before normal retirement conditions are not eligible for retiree health care.

Death-In-Service Retirement Benefits

City does not provided death-in-service benefits.

Disability Retirement Benefits

City does not provide retiree disability benefits to a surviving spouse.

Dental/Vision Care

City does not provide vision care.

Life Insurance Coverage

City does not provide life insurance for retirees.

Benefits for Spouse of Retired Employees

City does not provide retiree health insurance to the surviving spouse.

Spouse and Dependent Coverage

City does not provide spouse and dependent coverage.

Non-Medicare and Medicare - Eligible Provisions

Retirees are required to enroll in Medicare once eligible. Retiree pays Medicare premiums.

Retiree Opt-Out

Retirees who elect to opt out of the health care plan will not receive any cash payment in lieu of electing the City sponsored health care plan.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Premium Sharing

City contributes 50% of the City sponsored health care monthly premium for the retiree only until Medicare is available to the retiree.

Funding Policy and Annual OPEB Cost

The City's annual other post employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2008 as required by GASB. The annual OPEB cost for the fiscal year ending September 30, 2011, is as follows:

Annual required contribution	\$57,912
Interest on OPEB obligation	1,697
Adjustment to ARC	(1,697)
Annual OPEB cost (expense end of year)	57,912
Net employer contributions	(38,246)
Increase in net OPEB	19,666
Net OPEB obligation - as of beginning of the year	24,230
Net OPEB obligation (asset)- as of end of year	\$43,896

Funding status and funding progress

The funded status of the City's retiree health care plan, under GASB statement No. 45 as of December 31, 2010 is as follows:

The end of year net OPEB obligation is shown as a non-current liability on the Government-wide Statement of Net Assets in the Governmental Governmental Activities.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and net OPEB obligation for the current and two preceeding years were as follows:

Year Ended September 30	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 56,225	80.49%	\$ 11,000
2009	54,617	82.86%	24,230
2010	57,912	66.04%	43,896

Funding status and funding progress

The funded status of the City's retiree health care plan, under GASB statement No. 45 as of December 31, 2010, it's most recent actuarial valuation is as follows:

Actuarial accrued liability (AAL)	\$ 339,018
Actuarial value of assets	--
Unfunded AAL(UAAL)	\$ 339,018
Funded ratio	--
Covered Payroll	\$ 3,148,461

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

UAAL as % of covered payroll 122.88%

Actuarial Valuation Date as of December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
2008	--	\$339,018	\$339,018	0%
2009	--	\$363,248	\$363,248	0%
2010	--	\$382,914	\$382,914	0%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$382,914 at December 31, 2010.

Actuarial methods and assumptions

The Projected Unit credit actuarial cost method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payment are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Methods and Assumptions

Investment rate of return	4.5% net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of payroll
Growth Rate	3.0% per annum

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

L. Commitments and Contingencies

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

M. Subsequent Events

Litigation

In December, 2011, the City of Ingleside filed suit in District court against the City seeking termination of a contract entered into by Ingleside and the City in 1990. The contract pertained to a water distribution line partly with in and partly outside of the extraterritorial jurisdiction of the City. The suit also seek recovery of unspecified amounts of monetary damages and attorney fees. In the opinion of management, the suit will have no material effect on the City's financial statements.

Civic Center

After the end of the fiscal year ended September 30, 2011, the City terminated its contract with Venue Works of Aransas Pass, LLC. The City will not be managed by City personnel.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF ARANSAS PASS, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes:				
General Property Taxes	\$ 1,462,899	\$ 1,462,899	\$ 1,499,465	\$ 36,566
Sales Taxes	1,550,000	1,550,000	1,688,928	138,928
Franchise Taxes	403,201	403,201	385,897	(17,304)
Mixed Beverage Taxes	9,400	9,400	10,517	1,117
License and Permits	58,180	58,180	131,414	73,234
Intergovernmental	70,000	70,000	146,840	76,840
Charges for Services	1,312,749	1,312,749	1,327,232	14,483
Fines and Forfeitures	325,000	325,000	401,993	76,993
Interest	10,000	10,000	5,456	(4,544)
Rents and Royalties	180,000	180,000	184,691	4,691
PILOT - Industrial Development District	102,050	102,050	88,648	(13,402)
Other	55,035	55,035	58,853	3,818
Total revenues	<u>5,538,514</u>	<u>5,538,514</u>	<u>5,929,934</u>	<u>391,420</u>
Expenditures:				
Current:				
General Government	1,181,507	1,181,507	1,066,275	115,232
Public Safety	2,730,436	2,730,436	2,582,427	148,009
Public Works	922,325	922,325	811,744	110,581
Sanitation	1,179,000	1,179,000	1,178,230	770
Health and Welfare	201,537	201,537	158,254	43,283
Culture and Recreation	348,025	348,025	428,526	(80,501)
Debt Service:				
Principal	6,071	6,071	6,071	--
Capital Outlay	--	--	43,249	(43,249)
Total Expenditures	<u>6,568,901</u>	<u>6,568,901</u>	<u>6,274,776</u>	<u>294,125</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,030,387)</u>	<u>(1,030,387)</u>	<u>(344,842)</u>	<u>685,545</u>
Other Financing Sources (Uses):				
Operating Transfers In	1,115,000	1,115,000	1,172,270	57,270
Operating Transfers Out	--	--	(397,892)	(397,892)
Total Other Financing Sources (Uses)	<u>1,115,000</u>	<u>1,115,000</u>	<u>774,378</u>	<u>340,622</u>
Net Change in Fund Balances	84,613	84,613	429,536	344,923
Fund Balances - Beginning	1,671,160	1,671,160	1,671,160	--
Fund Balances - Ending	<u>\$ 1,755,773</u>	<u>\$ 1,755,773</u>	<u>\$ 2,100,696</u>	<u>\$ 344,923</u>

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

CITY OF ARANSAS PASS, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS			
Cash and Cash Equivalents	\$ 787,731	\$ --	\$ 787,731
Receivables (net of allowances for uncollectibles):			
Accounts	1,827	--	1,827
Occupancy Taxes	86,857	--	86,857
Sales Taxes	125,723	--	125,723
Sundry	3,026	--	3,026
Due from Other Funds	--	320	320
Inventories	3,227	--	3,227
Restricted Assets:			
Cash and Cash Equivalents	580,739	1,077,468	1,658,207
Sales Taxes Receivable	59,246	--	59,246
Total Assets	\$ 1,648,376	\$ 1,077,788	\$ 2,726,164
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 45,784	\$ --	\$ 45,784
Due to Other Funds	160,572	--	160,572
Customer Deposits	23,339	--	23,339
Total Liabilities	229,695	--	229,695
Fund Balances:			
Nonspendable	3,227	--	3,227
Restricted	1,345,823	1,077,788	2,423,611
Committed	69,631	--	69,631
Total Fund Balance	1,418,681	1,077,788	2,496,469
Total Liabilities and Fund Balance	\$ 1,648,376	\$ 1,077,788	\$ 2,726,164

CITY OF ARANSAS PASS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
Taxes:			
Sales Taxes	\$ 1,377,898	\$ --	\$ 1,377,898
Occupancy Taxes	205,300	--	205,300
Intergovernmental	409,232	--	409,232
Charges for Services	471,703	--	471,703
Fines and Forfeitures	22,946	--	22,946
Interest	2,932	1,323	4,255
Other	17,582	--	17,582
Total revenues	<u>2,507,593</u>	<u>1,323</u>	<u>2,508,916</u>
Expenditures:			
Current:			
General Government	14,189	--	14,189
Public Safety	309,139	--	309,139
Sanitation	309,745	--	309,745
Culture and Recreation	739,095	--	739,095
Tourism	190,983	--	190,983
Debt Service:			
Principal	280,000	--	280,000
Interest and Fiscal Charges	272,389	--	272,389
Fiscal Agent's Fees	--	17,500	17,500
Capital Outlay	348,800	513,204	862,004
Total Expenditures	<u>2,464,340</u>	<u>530,704</u>	<u>2,995,044</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>43,253</u>	<u>(529,381)</u>	<u>(486,128)</u>
Other Financing Sources (Uses):			
Operating Transfers In	648,484	--	648,484
Operating Transfers Out	(974,417)	--	(974,417)
Tax Notes Issued	--	500,000	500,000
Total Other Financing Sources (Uses)	<u>(325,933)</u>	<u>500,000</u>	<u>174,067</u>
Net Change in Fund Balances	<u>(282,680)</u>	<u>(29,381)</u>	<u>(312,061)</u>
Fund Balances - Beginning	1,701,361	1,107,169	2,808,530
Fund Balances - Ending	<u>\$ 1,418,681</u>	<u>\$ 1,077,788</u>	<u>\$ 2,496,469</u>

CITY OF ARANSAS PASS, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2011

	Emergency 911 Fund	Forfeiture	Hotel/Motel Occupancy Tax Fund	Library Fund
ASSETS				
Cash and Cash Equivalents	\$ 59,654	\$ 100,000	\$ 160,387	\$ 64,315
Receivables (net of allowances for uncollectibles):				
Accounts	--	--	--	--
Occupancy Taxes	--	--	86,857	--
Sales Taxes	--	--	--	--
Sundry	3,026	--	--	--
Inventories	--	--	--	--
Restricted Assets:				
Cash and Cash Equivalents	--	--	--	--
Sales Taxes Receivable	--	--	--	--
Total Assets	\$ 62,680	\$ 100,000	\$ 247,244	\$ 64,315
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 1,748	\$ --	\$ 4,762	\$ --
Due to Other Funds	--	--	--	--
Customer Deposits	--	--	--	--
Total Liabilities	1,748	--	4,762	--
Fund Balances:				
Nonspendable	--	--	--	--
Restricted	60,932	100,000	242,482	64,315
Committed	--	--	--	--
Total Fund Balance	60,932	100,000	242,482	64,315
Total Liabilities and Fund Balance	\$ 62,680	\$ 100,000	\$ 247,244	\$ 64,315

Holiday Lights	Crime Control Grant Fund	Seamen's Memorial Tower	Municipal Court Fee Fund	Building Security
\$ 4,802	\$ 43,581	\$ 2,419	\$ 12,323	\$ 60,628
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ 4,802	\$ 43,581	\$ 2,419	\$ 12,323	\$ 60,628
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
4,802	43,581	2,419	12,323	60,628
--	--	--	--	--
4,802	43,581	2,419	12,323	60,628
\$ 4,802	\$ 43,581	\$ 2,419	\$ 12,323	\$ 60,628

CITY OF ARANSAS PASS, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2011

	Citizens Collection Fund	Home Investment Program
ASSETS		
Cash and Cash Equivalents	\$ 1,997	\$ 22,733
Receivables (net of allowances for uncollectibles):		
Accounts	--	--
Occupancy Taxes	--	--
Sales Taxes	--	--
Sundry	--	--
Inventories	--	--
Restricted Assets:		
Cash and Cash Equivalents	--	--
Sales Taxes Receivable	--	--
Total Assets	\$ 1,997	\$ 22,733
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	\$ 27,039	\$ --
Due to Other Funds	--	--
Customer Deposits	--	--
Total Liabilities	27,039	--
Fund Balances:		
Nonspendable	--	--
Restricted	(25,042)	29
Committed	--	22,704
Total Fund Balance	(25,042)	22,733
Total Liabilities and Fund Balance	\$ 1,997	\$ 22,733

AP Municipal Development District	Aransas Pass Crime Control & Preven. District	Civic Center	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ --	\$ 174,218	\$ 80,674	\$ 787,731
--	--	1,827	1,827
--	--	--	86,857
--	125,723	--	125,723
--	--	--	3,026
--	--	3,227	3,227
580,739	--	--	580,739
59,246	--	--	59,246
<u>\$ 639,985</u>	<u>\$ 299,941</u>	<u>\$ 85,728</u>	<u>\$ 1,648,376</u>
\$ --	\$ --	\$ 12,235	\$ 45,784
160,572	--	--	160,572
--	--	23,339	23,339
<u>160,572</u>	<u>--</u>	<u>35,574</u>	<u>229,695</u>
--	--	3,227	3,227
479,413	299,941	--	1,345,823
--	--	46,927	69,631
<u>479,413</u>	<u>299,941</u>	<u>50,154</u>	<u>1,418,681</u>
<u>\$ 639,985</u>	<u>\$ 299,941</u>	<u>\$ 85,728</u>	<u>\$ 1,648,376</u>

CITY OF ARANSAS PASS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Emergency 911 Fund	Forfeiture	Hotel/Motel Occupancy Tax Fund	Library Fund
Revenue:				
Taxes:				
Sales Taxes	\$ --	\$ --	\$ --	\$ --
Occupancy Taxes	--	--	205,300	--
Intergovernmental	--	282,624	--	4,366
Charges for Services	69,779	--	--	--
Fines and Forfeitures	--	4,100	--	--
Interest	216	--	1,090	113
Other	--	--	--	8,000
Total revenues	<u>69,995</u>	<u>286,724</u>	<u>206,390</u>	<u>12,479</u>
Expenditures:				
Current:				
General Government	--	--	--	--
Public Safety	39,647	94,109	--	--
Sanitation	--	--	--	--
Culture and Recreation	--	--	--	11,938
Tourism	--	--	190,983	--
Debt Service:				
Principal	--	--	--	--
Interest and Fiscal Charges	--	--	--	--
Capital Outlay	--	118,433	--	--
Total Expenditures	<u>39,647</u>	<u>212,542</u>	<u>190,983</u>	<u>11,938</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>30,348</u>	<u>74,182</u>	<u>15,407</u>	<u>541</u>
Other Financing Sources (Uses):				
Operating Transfers In	--	--	--	--
Operating Transfers Out	--	--	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	30,348	74,182	15,407	541
Fund Balances - Beginning	30,584	25,818	227,075	63,774
Fund Balances - Ending	<u>\$ 60,932</u>	<u>\$ 100,000</u>	<u>\$ 242,482</u>	<u>\$ 64,315</u>

Holiday Lights	Crime Control Grant Fund	Seamen's Memorial Tower	Municipal Court Fee Fund	Building Security
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	122,242	--	--	--
--	--	--	--	--
--	--	--	10,868	7,978
24	--	12	--	(12)
--	--	100	--	--
24	122,242	112	10,868	7,966
--	--	--	--	--
--	2,476	--	10,063	1,717
--	--	--	--	--
--	--	700	--	--
--	--	--	--	--
--	--	--	--	--
--	108,343	--	--	--
--	110,819	700	10,063	1,717
24	11,423	(588)	805	6,249
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
24	11,423	(588)	805	6,249
4,778	32,158	3,007	11,518	54,379
\$ 4,802	\$ 43,581	\$ 2,419	\$ 12,323	\$ 60,628

CITY OF ARANSAS PASS, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Citizens Collection Fund	Home Investment Program
Revenue:		
Taxes:		
Sales Taxes	\$ --	\$ --
Occupancy Taxes	--	--
Intergovernmental	--	--
Charges for Services	86,385	--
Fines and Forfeitures	--	--
Interest	9	29
Other	9,482	--
Total revenues	<u>95,876</u>	<u>29</u>
Expenditures:		
Current:		
General Government	--	--
Public Safety	--	--
Sanitation	309,745	--
Culture and Recreation	--	--
Tourism	--	--
Debt Service:		
Principal	--	--
Interest and Fiscal Charges	--	--
Capital Outlay	--	--
Total Expenditures	<u>309,745</u>	<u>--</u>
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	<u>(213,869)</u>	<u>29</u>
Other Financing Sources (Uses):		
Operating Transfers In	236,339	--
Operating Transfers Out	--	--
Total Other Financing Sources (Uses)	<u>236,339</u>	<u>--</u>
Net Change in Fund Balances	22,470	29
Fund Balances - Beginning	(47,512)	22,704
Fund Balances - Ending	<u>\$ (25,042)</u>	<u>\$ 22,733</u>

AP Municipal Development District	Aransas Pass Crime Control & Preven. District	Civic Center	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ 700,799	\$ 677,099	\$ --	\$ 1,377,898
--	--	--	205,300
--	--	--	409,232
--	--	315,539	471,703
--	--	--	22,946
1,090	361	--	2,932
--	--	--	17,582
<u>701,889</u>	<u>677,460</u>	<u>315,539</u>	<u>2,507,593</u>
14,189	--	--	14,189
--	161,127	--	309,139
--	--	--	309,745
--	--	726,457	739,095
--	--	--	190,983
280,000	--	--	280,000
272,389	--	--	272,389
--	122,024	--	348,800
<u>566,578</u>	<u>283,151</u>	<u>726,457</u>	<u>2,464,340</u>
<u>135,311</u>	<u>394,309</u>	<u>(410,918)</u>	<u>43,253</u>
--	--	412,145	648,484
(572,717)	(401,700)	--	(974,417)
<u>(572,717)</u>	<u>(401,700)</u>	<u>412,145</u>	<u>(325,933)</u>
(437,406)	(7,391)	1,227	(282,680)
916,819	307,332	48,927	1,701,361
<u>\$ 479,413</u>	<u>\$ 299,941</u>	<u>\$ 50,154</u>	<u>\$ 1,418,681</u>

CITY OF ARANSAS PASS, TEXAS
EMERGENCY 911
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT C-5

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Charges for Services	\$ 68,000	\$ 69,779	\$ 1,779
Interest	300	216	(84)
Total revenues	68,300	69,995	1,695
Expenditures:			
Current:			
Public Safety	97,500	39,647	57,853
Total Expenditures	97,500	39,647	57,853
Excess (Deficiency) of Revenues Over (Under) Expenditures	(29,200)	30,348	59,548
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balances	(29,200)	30,348	59,548
Fund Balances - Beginning	30,584	30,584	--
Fund Balances - Ending	\$ 1,384	\$ 60,932	\$ 59,548

CITY OF ARANSAS PASS, TEXAS
HOTEL/MOTEL OCCUPANCY TAX
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT C-6

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Taxes:			
Occupancy Taxes	\$ --	\$ 205,300	\$ 205,300
Interest	--	1,090	1,090
Total revenues	--	206,390	206,390
Expenditures:			
Current:			
Tourism	--	190,983	(190,983)
Total Expenditures	--	190,983	(190,983)
Excess (Deficiency) of Revenues Over (Under) Expenditures	--	15,407	15,407
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balances	--	15,407	15,407
Fund Balances - Beginning	--	227,075	227,075
Fund Balances - Ending	\$ --	\$ 242,482	\$ 242,482

CITY OF ARANSAS PASS, TEXAS
CRIME CONTROL GRANT FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT C-7

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Intergovernmental	\$ --	\$ 122,242	\$ 122,242
Total revenues	<u>--</u>	<u>122,242</u>	<u>122,242</u>
Expenditures:			
Current:			
Public Safety	--	2,476	(2,476)
Capital Outlay	<u>--</u>	<u>108,343</u>	<u>(108,343)</u>
Total Expenditures	<u>--</u>	<u>110,819</u>	<u>(110,819)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>--</u>	<u>11,423</u>	<u>11,423</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	--	11,423	11,423
Fund Balances - Beginning	--	32,158	32,158
Fund Balances - Ending	<u>\$ --</u>	<u>\$ 43,581</u>	<u>\$ 43,581</u>

CITY OF ARANSAS PASS, TEXAS
ARANSAS PASS MUNICIPAL DEVELOPMENT DISTRICT
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT C-8

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Taxes:			
Sales Taxes	\$ 650,000	\$ 700,799	\$ 50,799
Interest	2,588	1,090	(1,498)
Total revenues	<u>652,588</u>	<u>701,889</u>	<u>49,301</u>
Expenditures:			
Current:			
General Government	189,204	14,189	175,015
Debt Service:			
Principal	280,000	280,000	--
Interest and Fiscal Charges	273,328	272,389	939
Total Expenditures	<u>742,532</u>	<u>566,578</u>	<u>175,954</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(89,944)</u>	<u>135,311</u>	<u>225,255</u>
Other Financing Sources (Uses):			
Operating Transfers Out	(595,125)	(572,717)	22,408
Total Other Financing Sources (Uses)	<u>(595,125)</u>	<u>(572,717)</u>	<u>(22,408)</u>
Net Change in Fund Balances	(685,069)	(437,406)	247,663
Fund Balances - Beginning	902,135	916,819	14,684
Fund Balances - Ending	<u>\$ 217,066</u>	<u>\$ 479,413</u>	<u>\$ 262,347</u>

CITY OF ARANSAS PASS, TEXAS
ARANSAS PASS CRIME CONTROL AND PREVENTION DISTRICT
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT C-9

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Taxes:			
Sales Taxes	\$ 550,000	\$ 677,099	\$ 127,099
Interest	--	361	361
Total revenues	550,000	677,460	127,460
Expenditures:			
Current:			
Public Safety	175,260	161,127	14,133
Capital Outlay	115,560	122,024	(6,464)
Total Expenditures	290,820	283,151	7,669
Excess (Deficiency) of Revenues Over (Under) Expenditures	259,180	394,309	135,129
Other Financing Sources (Uses):			
Operating Transfers Out	(400,000)	(401,700)	(1,700)
Total Other Financing Sources (Uses)	(400,000)	(401,700)	(1,700)
Net Change in Fund Balances	(140,820)	(7,391)	133,429
Fund Balances - Beginning	307,332	307,332	--
Fund Balances - Ending	\$ 166,512	\$ 299,941	\$ 133,429

CITY OF ARANSAS PASS, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT C-10

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Taxes:			
General Property Taxes	\$ 1,440,825	\$ 1,480,995	\$ 40,170
Interest	900	362	(538)
Total revenues	<u>1,441,725</u>	<u>1,481,357</u>	<u>39,632</u>
Expenditures:			
Debt Service:			
Principal	1,130,000	1,130,000	--
Interest and Fiscal Charges	554,826	554,647	179
Fiscal Agent's Fees	1,900	2,114	(214)
Total Expenditures	<u>1,686,726</u>	<u>1,686,761</u>	<u>(35)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(245,001)</u>	<u>(205,404)</u>	<u>39,597</u>
Other Financing Sources (Uses):			
Accrued Interest from Bond Issue	--	1,290	1,290
Total Other Financing Sources (Uses)	<u>--</u>	<u>1,290</u>	<u>(1,290)</u>
Net Change in Fund Balances	<u>(245,001)</u>	<u>(204,114)</u>	<u>40,887</u>
Fund Balances - Beginning	<u>277,771</u>	<u>277,771</u>	<u>--</u>
Fund Balances - Ending	<u>\$ 32,770</u>	<u>\$ 73,657</u>	<u>\$ 40,887</u>

CITY OF ARANSAS PASS, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2011

	2003 Certificate of Obligation Fund	2007 Certificate of Obligation	2007 Tax Anticipation Notes
ASSETS			
Due from Other Funds	\$ 320	\$ --	\$ --
Restricted Assets:			
Cash and Cash Equivalents	--	182	824
Total Assets	<u>\$ 320</u>	<u>\$ 182</u>	<u>\$ 824</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Fund Balances:			
Restricted	\$ 320	\$ 182	\$ 824
Total Fund Balance	<u>320</u>	<u>182</u>	<u>824</u>
Total Liabilities and Fund Balance	<u>\$ 320</u>	<u>\$ 182</u>	<u>\$ 824</u>

2009 Tax Anticipation Notes	2010 Tax Anticipation Notes	2011 Tax Anticipation Notes	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ --	\$ --	\$ --	\$ 320
137,591	632,283	306,588	1,077,468
<u>\$ 137,591</u>	<u>\$ 632,283</u>	<u>\$ 306,588</u>	<u>\$ 1,077,788</u>
\$ 137,591	\$ 632,283	\$ 306,588	\$ 1,077,788
<u>137,591</u>	<u>632,283</u>	<u>306,588</u>	<u>1,077,788</u>
<u>\$ 137,591</u>	<u>\$ 632,283</u>	<u>\$ 306,588</u>	<u>\$ 1,077,788</u>

CITY OF ARANSAS PASS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	2003 Certificate of Obligation Fund	2007 Certificate of Obligation	2007 Tax Anticipation Notes
Revenue:			
Interest	\$ --	\$ --	\$ --
Total revenues	--	--	--
Expenditures:			
Debt Service:			
Fiscal Agent's Fees	--	--	--
Capital Outlay	--	--	--
Total Expenditures	--	--	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	--	--	--
Other Financing Sources (Uses):			
Tax Notes Issued	--	--	--
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balances	--	--	--
Fund Balances - Beginning	320	182	824
Fund Balances - Ending	\$ 320	\$ 182	\$ 824

2009 Tax Anticipation Notes	2010 Tax Anticipation Notes	2011 Tax Anticipation Notes	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ 228	\$ 1,027	\$ 68	\$ 1,323
228	1,027	68	1,323
--	--	17,500	17,500
--	337,224	175,980	513,204
--	337,224	193,480	530,704
228	(336,197)	(193,412)	(529,381)
--	--	500,000	500,000
--	--	500,000	500,000
228	(336,197)	306,588	(29,381)
137,363	968,480	--	1,107,169
\$ 137,591	\$ 632,283	\$ 306,588	\$ 1,077,788

CITY OF ARANSAS PASS, TEXAS

COMBINING STATEMENT OF NET ASSETS

NONMAJOR ENTERPRISE FUNDS

SEPTEMBER 30, 2011

	Enterprise Fund	Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit A-7)
	Harbor Fund	Aquatic Center Fund	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 3,300	\$ 2,774	\$ 6,074
Receivables (net of allowances for uncollectibles):			
Accounts	13,340	--	13,340
Total Current Assets	16,640	2,774	19,414
Noncurrent Assets:			
Restricted Cash and Cash Equivalents			
Capital Assets:			
Improvements Other Than Buildings	2,669,758	--	2,669,758
Machinery and Equipment	39,427	--	39,427
Less Accumulated Depreciation	(2,359,647)	--	(2,359,647)
Total Noncurrent Assets	349,538	--	349,538
Total Assets	\$ 366,178	\$ 2,774	\$ 368,952
LIABILITIES:			
Current Liabilities:			
Accounts payable	\$ 9,754	\$ 1,004	\$ 10,758
Due to other funds	516	--	516
Total Current Liabilities	10,270	1,004	11,274
Current Liabilities Payable from Restricted Assets-	--	--	--
Total Liabilities	10,270	1,004	11,274
NET ASSETS:			
Investment in Capital Assets, Net of Related Debt	349,538	--	349,538
Unrestricted Net Assets	6,370	1,770	8,140
Total Net Assets	\$ 355,908	\$ 1,770	\$ 357,678

CITY OF ARANSAS PASS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Enterprise Fund	Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit A-8)
	Harbor Fund	Aquatic Center Fund	
OPERATING REVENUES:			
Charges for services	\$ 137,497	\$ 299,088	\$ 436,585
Total Operating Revenues	137,497	299,088	436,585
OPERATING EXPENSES:			
Personal services	13,924	215,579	229,503
Contractual services	107,559	109,885	217,444
Supplies	3,685	97,823	101,508
Maintenance	5,819	35,778	41,597
Depreciation and Amortization	68,350	--	68,350
Total Operating Expenses	199,337	459,065	658,402
Operating Income	(61,840)	(159,977)	(221,817)
NON-OPERATING REVENUES (EXPENSES):			
Interest income	41	13	54
Total Non-operating Revenues (Expenses)	41	13	54
Income before Transfers	(61,799)	(159,964)	(221,763)
Operating transfers In	--	161,555	161,555
Operating transfers out	--	--	--
Change in Net Assets	(61,799)	1,591	(60,208)
Total Net Assets - Beginning	417,707	179	417,886
Total Net Assets - Ending	\$ 355,908	\$ 1,770	\$ 357,678

CITY OF ARANSAS PASS, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Harbor Fund	Aquatic Center Fund	Total Nonmajor Enterprise Funds (See Exhibit A-9)
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 130,423	\$ 299,088	\$ 429,511
Cash Received from Grants	--	--	--
Cash Receipts (Payments) for Operating Transactions with Other Funds	(13,997)	--	(13,997)
Cash Payments to Employees	(13,924)	(215,579)	(229,503)
Cash Payments to Suppliers for Goods and Services	(109,793)	(244,888)	(354,681)
Net Cash Provided (Used) by Operating Activities	(7,291)	(161,379)	(168,670)
Cash Flows from Non-capital Financing Activities:			
Transfers From Other Funds	--	161,555	161,555
Transfers To Other Funds	--	--	--
Net Cash Provided (Used) by Non-capital Financing Activities	--	161,555	161,555
Cash Flows from Investing Activities:			
Interest and Dividends on Investments	41	13	54
Net Cash Provided (Used) for Investing Activities	41	13	54
Net Increase (Decrease) in Cash and Cash Equivalents	(7,250)	189	(7,061)
Cash and Cash Equivalents at Beginning of Year	10,550	2,585	13,135
Cash and Cash Equivalents at End of Year	\$ 3,300	\$ 2,774	\$ 6,074

**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities:**

Operating Income (Loss)	\$ (61,840)	\$ (159,977)	\$ (221,817)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	68,350	--	68,350
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	(7,074)	--	(7,074)
Decrease (Increase) in Inventories	--	--	--
Decrease (Increase) in Prepaid Expenses	--	--	--
Increase (Decrease) in Accounts Payable	7,270	(1,402)	5,868
Increase (Decrease) in Payroll Deductions	--	--	--
Increase (Decrease) in Accrued Wages Payable	--	--	--
Increase (Decrease) in Interfund Payables	(13,997)	--	(13,997)
Increase (Decrease) in Due to Other Governments	--	--	--
Increase (Decrease) in Accrued Expenses	--	--	--
Increase (Decrease) in Unearned Revenue	--	--	--
Total Adjustments	54,549	(1,402)	53,147
Net Cash Provided (Used) by Operating Activities	\$ (7,291)	\$ (161,379)	\$ (168,670)

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Michael A. Arnold, PLLC

501 E. MARKET

CERTIFIED PUBLIC ACCOUNTANT

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ROCKPORT, TEXAS 78381-1266

Independent Auditor's Report

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

City Council
City of Aransas Pass, Texas
P.O. Box 2000
Aransas Pass, Texas 78335

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Aransas Pass, Texas as of and for the year ended September 30, 2011, which collectively comprise the City of Aransas Pass, Texas's basic financial statements and have issued our report thereon dated March 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Aransas Pass, Texas's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Aransas Pass, Texas's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Aransas Pass, Texas's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Aransas Pass, Texas's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "M/A Arnold PLLC", written in a cursive, stylized script.

Michael A. Arnold, PLLC

March 27, 2012

STATISTICAL SECTION

CITY OF ARANSAS PASS, TEXAS
NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

TABLE E-1

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities								
Invested in Capital Assets,								
Net of Related Debt	\$ 993,949	\$ 2,536,578	\$ 2,997,920	\$ 3,924,568	\$ 2,215,641	\$ 3,754,958	\$ 4,655,260	\$ 5,635,357
Restricted	5,303,247	4,985,737	5,480,694	5,563,163	6,376,315	3,204,973	2,616,641	3,437,904
Unrestricted	(1,866,882)	(1,941,955)	(1,929,240)	(1,571,088)	279,870	1,818,939	1,972,523	1,196,816
Total Governmental								
Activities Net Assets	\$ 4,430,314	\$ 5,580,360	\$ 6,549,374	\$ 7,916,643	\$ 8,871,826	\$ 8,778,870	\$ 9,244,424	\$ 10,270,077
Business-type Activities								
Invested in Capital Assets,								
Net of Related Debt	\$ 4,575,866	\$ 4,635,033	\$ 5,041,730	\$ 4,972,189	\$ 4,986,843	\$ 4,892,071	\$ 5,240,781	\$ 5,135,647
Restricted	--	6,739	180,621	123,193	--	--	--	--
Unrestricted	814,971	1,021,344	1,306,810	1,675,571	2,191,177	2,183,082	1,670,227	1,696,347
Total Business-type								
Activities Net Assets	\$ 5,390,837	\$ 5,663,116	\$ 6,529,161	\$ 6,770,953	\$ 7,178,020	\$ 7,075,153	\$ 6,911,008	\$ 6,831,994
Primary Government								
Invested in Capital Assets,								
Net of Related Debt	\$ 5,569,815	\$ 7,171,611	\$ 8,039,650	\$ 8,896,757	\$ 7,202,484	\$ 8,647,029	\$ 9,896,041	\$ 10,771,004
Restricted	5,303,247	4,992,476	5,661,315	5,686,356	6,376,315	3,204,973	2,616,641	3,437,904
Unrestricted	(1,051,911)	(920,611)	(622,430)	104,483	2,471,047	4,002,021	3,642,750	2,893,163
Total Primary								
Government Net Assets	\$ 9,821,151	\$ 11,243,476	\$ 13,078,535	\$ 14,687,596	\$ 16,049,846	\$ 15,854,023	\$ 16,155,432	\$ 17,102,071

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

CITY OF ARANSAS PASS, TEXAS

EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE

LAST EIGHT FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

UNAUDITED

TABLE E-2

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Expenses								
Governmental Activities:								
General Government	\$ 901,150	\$ 1,106,080	\$ 1,121,849	\$ 1,160,353	\$ 1,025,014	\$ 1,213,190	\$ 1,044,585	\$ 1,140,134
Public Safety	2,163,889	2,344,836	2,491,331	2,630,523	2,687,733	2,791,635	2,931,302	3,022,707
Public Works	887,683	795,375	900,257	899,265	986,818	975,070	1,005,017	1,061,717
Sanitation	664,071	804,729	844,745	907,874	1,055,961	1,162,022	1,169,879	1,487,975
Health and Welfare	126,411	123,863	144,671	167,223	192,719	378,774	185,885	163,167
Culture and Recreation	415,217	523,299	505,435	626,994	613,739	1,194,849	1,465,210	1,503,117
Tourism	141,152	156,660	249,402	175,604	131,576	174,744	172,048	190,983
Interest and fiscal charges	503,428	555,515	517,434	474,074	968,126	916,780	895,374	877,007
Total Governmental Activities Expenses	<u>5,803,001</u>	<u>6,410,357</u>	<u>6,775,124</u>	<u>7,041,910</u>	<u>7,661,686</u>	<u>8,807,064</u>	<u>8,869,300</u>	<u>9,446,807</u>
Business-type Activities								
Water and Sewer	2,832,688	2,803,238	2,796,099	2,877,466	2,982,831	3,125,718	2,981,021	3,170,866
Harbor	496,618	159,099	191,522	567,715	283,947	389,666	259,459	199,337
Aquatic Center	393,666	388,200	414,241	323,340	363,538	476,724	460,462	459,065
Total Business-type Activities Expenses	<u>3,722,972</u>	<u>3,350,537</u>	<u>3,401,862</u>	<u>3,768,521</u>	<u>3,630,316</u>	<u>3,992,108</u>	<u>3,700,942</u>	<u>3,829,268</u>
Total Primary Government Expenses	<u>\$ 9,525,973</u>	<u>\$ 9,760,894</u>	<u>\$ 10,176,986</u>	<u>\$ 10,810,431</u>	<u>\$ 11,292,002</u>	<u>\$ 12,799,172</u>	<u>\$ 12,570,242</u>	<u>\$ 13,276,075</u>
Program Revenues								
Governmental Activities:								
Charges for Services:								
General Government	\$ 203,793	\$ 201,125	\$ 230,293	\$ 217,905	\$ 192,740	\$ 189,852	\$ 164,812	\$ 243,775
Public Safety	457,037	577,298	705,582	510,038	450,852	479,603	591,902	637,115
Public Works	389,722	64,898	16,428	13,824	51,738	23,118	2,643	--
Sanitation	865,419	923,993	976,282	1,044,125	1,212,542	1,333,719	1,290,006	1,384,868
Health and Welfare	1,896	1,556	1,578	1,579	1,901	3,945	--	--
Culture and Recreation	4,280	3,860	3,766	3,528	3,684	148,694	298,417	315,539
Tourism	--	--	--	--	--	--	--	--
Interest and fiscal charges	9	14	--	--	--	--	--	--
Operating Grants and Contributions	--	99,535	41,474	232,804	110,730	307,746	297,196	573,554
Capital Grants and Contributions	104,175	108,098	--	21,692	--	--	--	--
Total Governmental Activities Program Revenues	<u>2,026,331</u>	<u>1,980,377</u>	<u>1,975,403</u>	<u>2,045,495</u>	<u>2,024,187</u>	<u>2,486,677</u>	<u>2,644,976</u>	<u>3,154,851</u>
Business-type Activities:								
Charges for Services:								
Water and Sewer	2,714,649	3,256,196	3,904,625	3,750,505	3,637,311	3,632,810	3,413,008	3,729,445
Harbor	326,523	246,757	216,631	238,000	141,737	160,237	156,838	137,497
Aquatic Center	224,243	270,846	256,468	240,588	234,473	323,373	320,099	299,088
Operating Grants and Contributions	--	--	--	31,171	7,720	--	--	--
Capital Grants and Contributions	--	--	16,696	28,538	218,206	3,080	--	31,765
Total Business-type Activities Program Revenues	<u>3,265,415</u>	<u>3,773,799</u>	<u>4,394,420</u>	<u>4,288,802</u>	<u>4,239,447</u>	<u>4,119,500</u>	<u>3,889,945</u>	<u>4,197,795</u>
Total Primary Government Program Revenues	<u>\$ 5,291,746</u>	<u>\$ 5,754,176</u>	<u>\$ 6,369,823</u>	<u>\$ 6,334,297</u>	<u>\$ 6,263,634</u>	<u>\$ 6,606,177</u>	<u>\$ 6,534,921</u>	<u>\$ 7,352,646</u>
Net (Expense)/Revenue								
Governmental Activities	\$ (3,776,670)	\$ (4,429,980)	\$ (4,799,721)	\$ (4,996,415)	\$ (5,637,499)	\$ (6,320,387)	\$ (6,224,324)	\$ (6,291,956)
Business-type Activities	(457,557)	423,262	992,558	520,281	609,131	127,392	189,003	368,527
Total Primary Government Net Expense	<u>\$ (4,234,227)</u>	<u>\$ (4,006,718)</u>	<u>\$ (3,807,163)</u>	<u>\$ (4,476,134)</u>	<u>\$ (5,028,368)</u>	<u>\$ (6,192,995)</u>	<u>\$ (6,035,321)</u>	<u>\$ (5,923,429)</u>

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

CITY OF ARANSAS PASS, TEXAS

GENERAL REVENUES AND TOTAL CHANGE IN NET ASSETS
LAST EIGHT FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

TABLE E-3

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Net (Expense)/Revenue								
Governmental Activities	\$ (3,776,670)	\$ (4,429,980)	\$ (4,799,721)	\$ (4,996,415)	\$ (5,637,499)	\$ (6,320,387)	\$ (6,224,324)	\$ (6,291,956)
Business-type Activities	(457,557)	423,262	992,558	520,281	609,131	127,392	189,003	368,527
Total Primary Government Net Expense	<u>\$ (4,234,227)</u>	<u>\$ (4,006,718)</u>	<u>\$ (3,807,163)</u>	<u>\$ (4,476,134)</u>	<u>\$ (5,028,368)</u>	<u>\$ (6,192,995)</u>	<u>\$ (6,035,321)</u>	<u>\$ (5,923,429)</u>
General Revenues and Other Changes in Net Assets								
Governmental Activities:								
Taxes								
Property Taxes	\$ 2,214,244	\$ 2,465,422	\$ 2,444,665	\$ 2,553,979	\$ 2,969,270	\$ 2,891,106	\$ 2,891,935	\$ 3,056,944
Sales Taxes	1,749,375	1,751,103	1,971,266	2,090,487	2,213,912	2,326,056	2,685,802	3,066,826
Franchise Taxes	368,474	387,932	377,821	398,789	385,256	393,495	393,601	385,897
Occupancy Taxes	190,657	195,847	238,706	234,691	201,845	173,469	182,573	205,300
Other Taxes	7,591	6,522	7,144	6,459	8,367	8,327	11,954	10,517
Investment Earnings	94,329	139,736	266,845	464,101	420,386	60,477	15,637	12,397
Royalties	118,607	131,758	124,830	127,365	124,770	85,867	74,455	72,330
Gain on Sale of Capital Assets	--	145,500	--	--	--	--	--	--
Insurance Proceeds	202,064	22,955	10,053	9,958	20,994	22,701	39,662	13,265
Miscellaneous	63,141	51,977	86,873	61,497	31,570	20,196	38,696	45,688
Transfers	102,976	281,274	240,532	416,358	259,033	245,737	355,563	448,445
Total Governmental Activities	<u>\$ 5,111,458</u>	<u>\$ 5,580,026</u>	<u>\$ 5,768,735</u>	<u>\$ 6,363,684</u>	<u>\$ 6,635,403</u>	<u>\$ 6,227,431</u>	<u>\$ 6,689,878</u>	<u>\$ 7,317,609</u>
Business-type Activities:								
Investment Earnings	10,048	29,845	114,019	137,869	56,969	15,497	2,416	903
Gain on Sale of Capital Assets	30,315	81,749	--	--	--	--	--	--
Insurance Proceeds	15,988	18,697	--	--	--	--	--	--
Transfers	(102,976)	(281,274)	(240,532)	(416,358)	(259,033)	(245,737)	(355,563)	(448,445)
Total Business-type Activities	<u>(46,625)</u>	<u>(150,983)</u>	<u>(126,513)</u>	<u>(278,489)</u>	<u>(202,064)</u>	<u>(230,240)</u>	<u>(353,147)</u>	<u>(447,542)</u>
Total Primary Government	<u>\$ 5,064,833</u>	<u>\$ 5,429,043</u>	<u>\$ 5,642,222</u>	<u>\$ 6,085,195</u>	<u>\$ 6,433,339</u>	<u>\$ 5,997,191</u>	<u>\$ 6,336,731</u>	<u>\$ 6,870,067</u>
Change in Net Assets								
Governmental Activities	\$ 1,334,788	\$ 1,150,046	\$ 969,014	\$ 1,367,269	\$ 997,904	\$ (92,956)	\$ 465,554	\$ 1,025,653
Business-type Activities	(504,182)	272,279	866,045	241,792	407,067	(102,848)	(164,144)	(110,780)
Total Primary Government	<u>\$ 830,606</u>	<u>\$ 1,422,325</u>	<u>\$ 1,835,059</u>	<u>\$ 1,609,061</u>	<u>\$ 1,404,971</u>	<u>\$ (195,804)</u>	<u>\$ 301,410</u>	<u>\$ 914,873</u>

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

CITY OF ARANSAS PASS, TEXAS
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)
 UNAUDITED

TABLE E-4

		Fiscal Year																		
		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011*									
General Fund																				
Reserved	\$	--	\$	--	\$	77,283	\$	125,016	\$	99,327	\$	14,687	\$	--	\$	45,382	\$	--	\$	14,472
Unreserved		3,821,700		2,489,306		490,759		647,336		811,743		1,499,300		1,635,631		1,544,039		1,671,160		2,086,224
Total General Fund	\$	<u>3,821,700</u>	\$	<u>2,489,306</u>	\$	<u>568,042</u>	\$	<u>772,352</u>	\$	<u>911,070</u>	\$	<u>1,513,987</u>	\$	<u>1,635,631</u>	\$	<u>1,589,421</u>	\$	<u>1,671,160</u>	\$	<u>2,100,696</u>
All Other Governmental Funds																				
Reserved	\$	3,044,847	\$	2,847,360	\$	4,979,743	\$	4,667,190	\$	4,971,104	\$	11,902,567	\$	6,221,493	\$	2,455,653	\$	3,086,301	\$	2,570,126
Unreserved, Reported In:																				
Special Revenue Funds		147,873		212,346		--		--		--		--		--		--		--		--
Capital Projects Funds		748,836		565,596		(2,165)		(1,800)		14,555		24,207		109,880		124,985		133,111		135,648
Debt Service Funds		346,108		447,330		--		--		--		--		--		--		--		--
Total All Other Governmental Funds	\$	<u>4,287,664</u>	\$	<u>4,072,632</u>	\$	<u>4,977,578</u>	\$	<u>4,665,390</u>	\$	<u>4,985,659</u>	\$	<u>11,926,774</u>	\$	<u>6,331,373</u>	\$	<u>2,580,638</u>	\$	<u>3,219,412</u>	\$	<u>2,705,774</u>

* Funds are presented in accordance with GASB 54 in the financial statements.

CITY OF ARANSAS PASS, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

TABLE E-5

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	\$ 4,063,071	\$ 4,361,947	\$ 4,647,708	\$ 4,850,148	\$ 5,116,051	\$ 5,344,170	\$ 5,763,768	\$ 5,773,894	\$ 6,161,864	\$ 6,649,000
Licenses, Fees and Permits	295,793	250,467	126,517	92,749	112,074	94,808	65,787	63,368	57,185	131,414
Intergovernmental	194,491	595,260	104,175	207,633	41,474	238,213	93,322	290,681	286,783	556,072
Charges for Services	930,516	765,598	930,387	1,013,140	1,075,096	1,138,679	1,319,462	1,557,015	1,692,852	1,798,935
Fines and Penalties	303,317	292,312	360,249	477,729	539,801	375,440	373,455	340,054	344,971	424,939
Special Assessments	72,928	94,748	90,976	281,816	41,714	25,247	15,911	12,989	7,325	1,503
Investment Earnings	150,939	103,783	83,224	139,736	266,845	435,539	420,386	60,477	12,382	11,107
Rents and Royalties	73,987	81,735	182,793	226,512	231,018	239,511	241,253	185,795	182,082	184,691
PILOT	80,400	82,324	71,144	64,225	57,796	52,276	59,590	136,206	102,050	88,648
Other Revenues	18,500	--	63,141	220,432	96,926	87,738	64,787	52,366	83,358	76,435
Total Revenues	<u>6,183,942</u>	<u>6,628,174</u>	<u>6,660,314</u>	<u>7,574,120</u>	<u>7,578,795</u>	<u>8,031,621</u>	<u>8,417,721</u>	<u>8,472,845</u>	<u>8,930,852</u>	<u>9,922,744</u>
Expenditures										
General Government	593,827	1,077,777	885,996	1,086,690	1,129,835	1,153,454	1,022,225	1,178,893	1,009,234	1,080,464
Public Safety	1,656,693	1,687,323	2,071,179	2,284,425	2,318,351	2,463,214	2,542,801	2,637,772	2,824,334	2,891,566
Public Works	669,563	956,635	771,531	655,087	651,434	685,593	747,534	728,658	754,767	811,744
Sanitation	--	--	664,071	804,729	844,745	906,684	1,055,961	1,162,022	1,169,879	1,487,975
Health and Welfare	819,278	811,267	126,411	123,863	144,671	165,370	188,505	365,616	180,972	158,254
Culture and Recreation	246,340	222,100	285,376	307,323	345,138	388,021	473,688	931,250	1,129,390	1,167,621
Tourism	131,273	122,836	141,152	156,660	249,402	175,604	131,576	174,744	172,048	190,983
Capital Outlay	2,965,407	2,464,078	4,407,467	1,258,646	399,654	356,396	9,926,524	3,463,337	524,878	905,253
Debt Service										
Principal	541,000	632,000	742,362	726,140	756,704	697,289	1,038,071	983,071	1,361,071	1,416,071
Interest and fees	374,029	551,584	625,354	559,739	520,406	540,835	1,015,354	890,164	907,584	846,650
Total Expenditures	<u>7,997,410</u>	<u>8,525,600</u>	<u>10,720,899</u>	<u>7,963,302</u>	<u>7,360,340</u>	<u>7,532,460</u>	<u>18,142,239</u>	<u>12,515,527</u>	<u>10,034,157</u>	<u>10,956,581</u>
Excess of Revenues Over (Under) Expenditures	(1,813,468)	(1,897,426)	(4,060,585)	(389,182)	218,455	499,161	(9,724,518)	(4,042,682)	(1,103,305)	(1,033,837)
Other Financing Sources (Uses)										
Bonds Issued	3,960,062	--	2,261,105	--	--	6,708,562	4,000,000	--	1,468,255	501,290
Refunding Bonds Issued	--	--	--	--	--	4,435,000	2,105,000	--	--	--
Payments to Escrow Agent	--	--	--	--	--	(4,495,049)	(2,090,551)	--	--	--
Insurance Proceeds	--	--	202,064	--	--	--	--	--	--	--
Capital Leases	--	--	28,424	--	--	--	--	--	--	--
Transfers In	540,000	350,000	2,613,785	673,358	410,000	867,272	582,402	1,262,582	1,056,681	1,820,754
Transfers Out	--	--	(2,510,809)	(392,084)	(169,468)	(450,914)	(323,369)	(1,016,845)	(701,118)	(1,372,309)
Total Other Financing Sources (Uses)	<u>4,500,062</u>	<u>350,000</u>	<u>2,594,569</u>	<u>281,274</u>	<u>240,532</u>	<u>7,064,871</u>	<u>4,273,482</u>	<u>245,737</u>	<u>1,823,818</u>	<u>949,735</u>
Prior Period Adjustments	--	--	422,462	--	--	--	(42,721)	--	--	--
Net Change in Fund Balances	<u>\$ 2,686,594</u>	<u>\$ (1,547,426)</u>	<u>\$ (1,043,554)</u>	<u>\$ (107,908)</u>	<u>\$ 458,987</u>	<u>\$ 7,564,032</u>	<u>\$ (5,451,036)</u>	<u>\$ (3,796,945)</u>	<u>\$ 720,513</u>	<u>\$ (84,102)</u>
Debt Service As A Percentage Of Noncapital Expenditures	18.2%	19.5%	21.7%	19.2%	18.3%	17.3%	25.0%	20.7%	23.9%	22.5%

CITY OF ARANSAS PASS, TEXAS
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Occupancy Tax	Other	Total
2002	\$ 2,070,181	\$ 1,428,784	\$ 375,687	\$ 188,419	\$ --	\$ 4,063,071
2003	2,210,635	1,608,423	360,919	174,245	--	4,354,222
2004	2,331,611	1,749,375	368,474	190,657	7,591	4,647,708
2005	2,508,774	1,751,103	387,932	195,847	6,522	4,850,178
2006	2,521,114	1,971,266	377,821	238,706	7,144	5,116,051
2007	2,613,744	2,090,487	398,789	234,691	6,459	5,344,170
2008	2,954,388	2,213,912	385,256	201,845	8,367	5,763,768
2009	2,872,547	2,326,056	393,495	173,469	8,327	5,773,894
2010	2,887,934	2,685,802	393,601	182,573	11,954	6,161,864
2011	2,980,460	3,066,826	385,897	205,300	10,517	6,649,000
Percent Change 2002-2011	44.0%	114.6%	2.7%	9.0%		63.6%

CITY OF ARANSAS PASS, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
UNAUDITED

TABLE E-7

Fiscal Year	Assessed Value	Assessment Ratio	Total Taxable Assessed Value	Total Direct Tax Rate	Tax Levy
2002	\$ 249,196,574	\$ 100.00%	\$ 249,196,574	\$ 0.832	\$ 2,018,492
2003	265,606,127	100.00%	265,606,127	0.790	2,098,288
2004	297,493,600	100.00%	297,493,600	0.750	2,231,202
2005	352,638,418	100.00%	352,638,418	0.670	2,362,664
2006	380,362,543	100.00%	380,362,543	0.634	2,409,978
2007	421,491,850	100.00%	421,491,850	0.6012	2,534,009
2008	490,811,034	100.00%	490,811,034	0.580	2,846,704
2009	487,538,448	100.00%	487,538,448	0.580	2,827,723
2010	485,990,497	100.00%	485,990,497	0.5929	2,881,287
2011	478,705,857	100.00%	478,705,857	0.6075	2,908,095

Source: San Patricio County Appraisal District

CITY OF ARANSAS PASS, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

TABLE E-8

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Wal-Mart Real Estate	\$ 8,419,081	1	1.76%	\$		
Lowes Home Centers Inc	6,918,737	2	1.45%			
North Bay General Hospital	5,629,428	3	1.18%			
Lowes Companies Inc. #2506	5,140,785	4	1.07%			
Wal-Mart Stores Texas LP 0555	4,664,159	5	0.97%			
AEP Texas Central Comp	4,187,550	6	0.87%			
Carolyns Texas LP	3,501,172	7	0.73%		(1)	
Coastal Navy Housing	3,500,000	8	0.73%			
SSP Partners A Tex Gen	2,688,796	9	0.56%			
Aransas Pass Lodging Inc	2,629,910	10	0.55%			
Total	\$ 47,279,618		9.88%	\$ --		--

Source: San Patricio County Appraisal District.

(1) 2002 information is not available.

CITY OF ARANSAS PASS, TEXAS
 PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS
 UNAUDITED

TABLE E-9

Fiscal Year	Taxes Levied for the Fiscal Year		Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$	2,018,492	\$ 1,879,940	93.14%	\$ 112,918	\$ 1,992,858	98.73%
2003		2,098,290	1,954,849	93.16%	114,083	2,068,932	98.60%
2004		2,263,488	2,129,242	94.07%	104,158	2,233,400	98.67%
2005		2,361,086	2,239,461	94.85%	90,122	2,329,583	98.67%
2006		2,448,503	2,321,225	94.80%	86,006	2,407,231	98.31%
2007		2,534,009	2,405,181	94.92%	80,963	2,486,144	98.11%
2008		2,846,704	2,767,047	97.20%	6,859	2,773,906	97.44%
2009		2,827,723	2,772,611	98.05%	8,565	2,781,176	98.35%
2010		2,881,287	2,698,994	93.67%	70,723	2,769,717	96.13%
2011		2,908,095	2,746,758	94.45%			

TABLE E-10

CITY OF ARANSAS PASS, TEXAS
 RATIOS OF OUTSTANDING DEBT BY TYPE
 LAST TEN FISCAL YEARS
 UNAUDITED

Fiscal Year	General Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita	Other Governmental Activities Debt	
				Tax Anticipation Notes	
2002	\$ 10,789,000	3.20%	1,326	121,421	
2003	10,157,000	3.82%	1,249	--	
2004	11,670,000	3.92%	1,435	--	
2005	10,953,000	3.11%	1,347	--	
2006	10,206,000	2.68%	1,255	--	
2007	15,809,000	3.75%	1,849	580,000	
2008	18,962,000	3.86%	2,218	425,000	
2009	18,050,000	3.70%	2,111	360,000	
2010	16,985,000	3.49%	1,986	1,535,000	
2011	15,795,000	3.30%	1,847	1,815,000	

Fiscal Year	Business-type Activities			Total Primary Government	Per Capita
	Water & Sewer Revenue Bonds	Harbort Revenue Bonds	Certificates of Obligation		
2002	\$ --	\$ 230,000	\$ 750,000	\$ 980,000	\$ 1,123
2003	--	190,000	645,000	10,992,000	1,351
2004	--	145,000	530,000	12,345,000	1,518
2005	--	100,000	1,525,000	12,578,000	1,546
2006	--	50,000	2,360,000	12,616,000	1,551
2007	--	--	2,180,000	17,989,000	2,207
2008	--	--	1,990,000	20,400,000	2,503
2009	--	--	1,880,000	20,290,000	2,489
2010	--	--	1,765,000	20,285,000	2,489
2011			1,645,000	19,255,000	2,362

Fiscal Year Ended September 30,	Water Connections	Sewer Connections	Gallons of Water Consumed
2002	3,508	2,939	421,871,500
2003	3,583	3,006	426,856,600
2004	3,628	3,047	389,790,192
2005	3,686	3,076	406,558,800
2006	3,739	3,119	431,123,700
2007	3,774	3,136	436,988,100
2008	3,875	3,237	439,000,800
2009	3,804	3,166	438,633,990
2010	3,765	3,000	408,163,400
2011	3,824	2,959	421,745,900

POLICY	COVERAGE	EXPIRATION
Texas Municipal League Intergovernmental Risk Pool #8731	Real and Personal Property, \$17,229,086	October 1, 2012
	Mobile Equipment, \$524,029	
	Errors & Omissions, \$1,000,000 occurrence, \$2,000,000 annual aggregate	
	Law Enforcement Liability, \$3,000,000 occurrence, \$6,000,000 annual aggregate	
	General Liability, \$3,000,000 occurrence, \$6,000,000 annual aggregate	
	Auto Liability, \$3,000,000 occurrence, \$25,000 Medical	
	Auto Physical Damage, coverage varies per vehicle	
	Workers Compensation, limit statutory	
	Public Employee Dishonesty, \$100,000 Forgery, Theft, Computer Fraud, \$20,000	
Texas Windstorm Insurance Assc. 20777714	Windstorm and Hail, \$15,191,497 80% Coinsurance	November 7, 2012